August 1982

PurchasingWorld®

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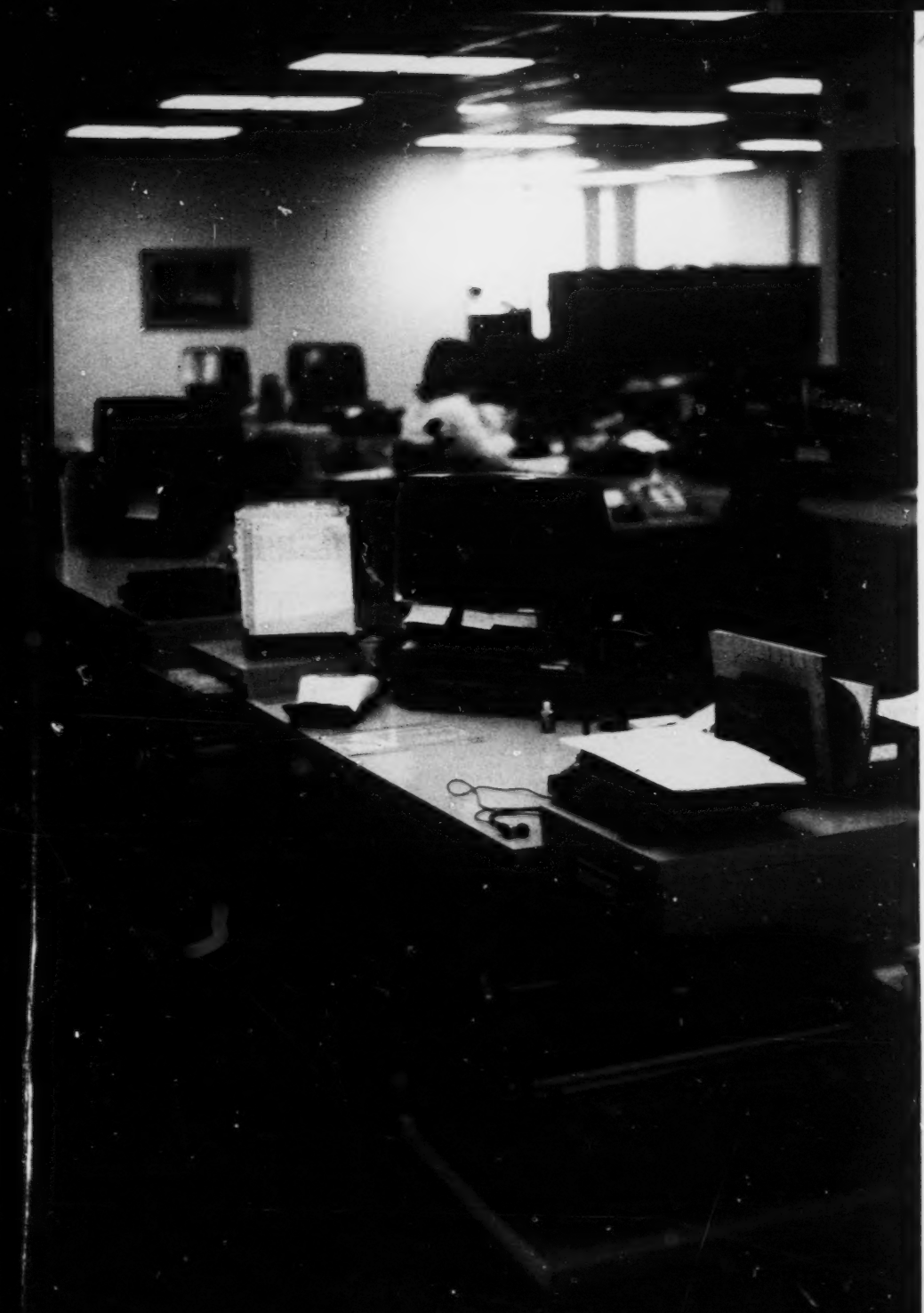

What's Ahead

Discounting continues across the board, and PMs report that list prices are now just negotiation starting points (p. 10).

Plastics demand will be off 2-4% this year, but 1983 looks more bullish, with a 4-6% advance expected (p. 14).

Real GNP growth will end the year showing only a 1.2% advance, according to a composite forecast from 600 purchasing managers (p. 32).

Truck fleet costs are zooming up at almost double the general inflation rate (p. 34).

Buying office systems equipment —page 52

Many purchasing departments are taking on new responsibilities as the result of the complexities of buying new, sophisticated business systems. As purchasing planning and coordination are brought to bear on these buys, companies are reaping the benefits of better service and lower costs. Our article on page 52 describes how several companies are meeting this challenge. *(Photo courtesy The Quaker Oats Co.)*

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PurchasingWorld®

Vol. 26, No. 8 - August 1982

Helping you manage the business of buying

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Discounting runs the gamut

Rare is the PM who is paying list these days.

So say the majority of buying managers responding to ***Purchasing-World's*** latest nationwide business conditions survey. Indeed, in more cases than not, the official book quotes are now just the starting point for serious negotiation.

As one Cleveland-based PM puts it, "The combination of low consumption, continued inventory paring, excess capacity, and foreign competition has knocked the props out from under the pricing structure. There's very little we can't bargain on these days—and in more than a few instances we're paying less than a year ago."

To be sure, not every product has been equally affected. And there are still some lines where lists remain fairly firm. But these are now the exceptions rather than the general rule.

The overall discount picture shapes up along these lines:

■ **Behind the shakiness:** Supply-demand imbalance is the factor most often mentioned—though many feel that their own hard-nosed bargaining and import competition are contributing factors. The latter, they add, is particularly significant for steel, nonferrous metals, and many component parts.

■ **Type of concession:** Roughly one out of every two cite all of the following: outright cash discounts (including rebates), extended price guarantees (sometimes running out as long as a year), easier terms of sale, and freight absorption. Other approaches receiving considerable mention include improved servicing, the throwing in of extras, shipment of higher-than-paid-for quality, bigger volume discounts, and the elimination of minimum order quantities.

■ **The overall impact:** The average price break is put at just about 5%—with an impressive 63% of the respondents putting the net reduction off list in the 3-6% range. A few are even luckier—with one out of 10 managing to knock an average of 9% or more off official lists.

■ **Product-by-product impact:** Areas where transaction prices are said to be barely even with or actually under yearago levels now include carbon steel, stainless steel, aluminum, copper, tin, silver, lumber, fasteners, fittings, plastic resins, petrochemicals, packaging, paper products, electric controls, electronic components, extrusions, fittings, petroleum products, chains, and coated abrasives.

■ **The nearterm outlook:** There's considerable difference of opinion as to when quotes will begin to firm up again—though virtually everybody agrees that prices will have to go up sooner or later. Some 20% feel that the drying up of current price shading could begin as early as this fall. The numbers of PMs picking the first and second quarters of next year as the turning point are 27% and 40% respectively—with the remaining 13% putting the pickup sometime beyond mid-1983.

One import-oriented buyer feels that the strength of the dollar could be a major determinant of when prices begin to firm. He observes that the 30% or so appreciation of the dollar over the past few years has made incoming shipments a lot cheaper—and in the process has also forced domestic producers to toe the line. His conclusion: If the dollar remains strong, future hikes will continue to be hard to come by.

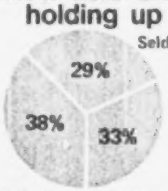
But perhaps the most important price-determining factor is the strength of the upcoming business recovery. Observes one purchasing vice president, "We'll have to see a substantial increase in GNP and production before all the discounting starts to fade. Operating rates, for example, would have to advance from the current 70% level to near 80%—and I honestly don't see this happening until sometime after mid-1983."

Meantime, buying executives continue to put pressure on suppliers. Some of today's more popular approaches: (1) requirement of full cost-justification for any boost, (2) across-the-board insistance of no price hike before yearend, (3) more longterm contracts with price guarantees, and (4) more limited contract escalation clauses.

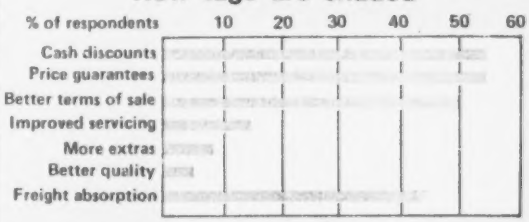
As one PM sums it up, "I know what we're doing is hard on our suppliers. Sure, we want to be fair. But keeping costs down now is a matter of survival—and we mean to survive." ***PW***

Portrait of a buyers' market

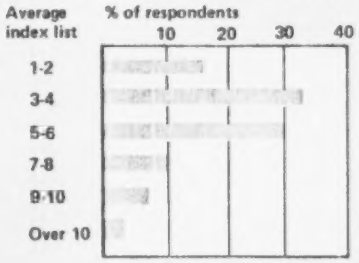
How lists are holding up



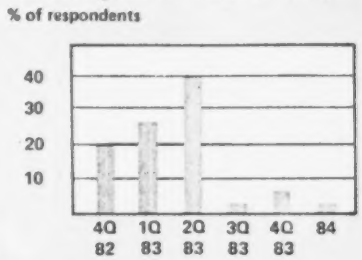
How tags are shaded



What it all boils down to



When prices should firm



PW Predicts...

By Robert S. Reichard, prices, economics editor

Energy tags to climb slightly

Look for energy tabs to start accelerating a bit—if not later this year, then certainly in early 1983. But the increases will generally be in the tolerable range.

Individual fuel and power advances (third quarter 1982 compared to second quarter 1982) should shape up something along these lines: gasoline (9.2%), No. 2 heating oil at wholesale (5.1%), No. 6 residual fuel oil (0.6%), kerosene jet fuel (6.5%), utility coal (4.1%), utility natural gas (5.5%), residential electictiy rates (-1.5%).

The projections, culled from a new Department of Energy study, assumed that OPEC crude oil will remain stable through yearend and then (in 1983) move up at the general inflation rate.

Some of the report's other specific comments:

■ **Gasoline:** Prices will edge up in the months immediately ahead as inventories decline. Further small advances seem likely early next year as crude oil costs rise.

■ **Heating oil:** Retail tags will hold steady through yearend—with some seasonal hikes possible toward winter. But about 5¢/gallon could be added onto quotes in the first half 1983 on the strength of higher crude costs.

■ **Residual fuel oil:** Seasonal demand could make for some late 1982 advances. And, as in the case of distillate, rising crude costs will mean further increases in early 1983.

■ **Electricity:** Residential rates are projected to rise about 10% (all 1982 vs. 1981). But the quarter-to-quarter trend will be basically level as coal and oil cost pressures subside.

Copper

Still no signs of any meaningful upturn

The plastics price scene

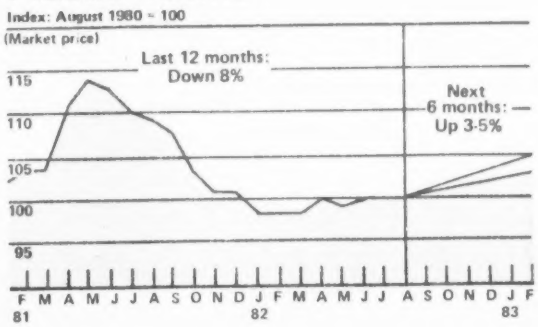
CURRENT SITUATION: Prices, while showing signs of bottoming out, remain at very low levels. Indeed, look at the major commodity resins and two facts stand out: (1) substantial discounts are still available for big volume buyers and (2) virtually all quotes are running well under last year's highs. Most of the downward pressure, of course, stems from poor demand (off 10% or so for the year to date) and overcapacity (current operating rates now average out in the low 60s range—with ABS and polystyrene (PS) sporting even lower levels).

DEMAND: Even if a modest second half pickup is factored in, usage for the year as a whole will still be off some 2-4%. Sharpest declines look to be in ABS, PVC, and PS. On the other hand, polypropylene (PP) and both low- and high-density polyethylene (LDPE and HDPE) could conceivably break even or even rack up some fractional gains. **Next year, however, looks a lot more bullish,** with HDPE and ABS leading the industry to a 4-6% advance.

SUPPLY: Low operating rates tell the story here. Even with some second half demand pickup, the average 1982 utilization rate won't rise out of the 60s. **Nor is any appreciable change seen for next year**—as the expected 4-6% demand gain is offset by an equally large boost in new capacity. Indeed, only HDPE and PP are expected to move into the respectable 75-80% range in 1983. **Supplies should be ample in 1984, too** (thanks to another 3-4% jump in capacity)—except for PP which could move into the 85% range at that time.

PRICE OUTLOOK: New attempts to reduce discounts should meet with increasing success toward yearend. Even so, the all-industry market quote for 1982 as a whole will still remain 7-8% under 1981 levels. True, somewhat heftier rises are anticipated for 1983, **but overcapacity will prevent any reattainment of early 1981 peaks until late in the year.** LDPE, for example, should average only in the mid-30s range next year—with a 40¢/lb-or-so quote seen for HDPE, PP, and PS. But PVC will be hard put to reach even the mid-20s range.

Plastic resins



as demand (hard hit by sagging automotive and construction markets) continues to disappoint. Prices, meantime, are backing and filling in the 60s to low 70s range—despite continued production cutbacks in both the United States and Canada. One of the problems—aside from low demand—is that third world countries continue to produce as if there were no tomorrow. In any event, all signs point to about a 100,000-ton global surplus this year—enough to prevent the red metal from rising back into the 90¢/lb-plus break-even-point range anytime soon.

Aluminum

Buyers remain in the saddle—with quadruple discounts available on common alloy, and the basic ingot on the spot market going for well under 50¢/lb (in marked contrast to the official 76¢/lb list). An earlier hike in can body stock has also been rolled back. Moreover, little nearterm recovery is seen despite continuing cutbacks which have brought the overall U.S. operating rate into the low 60s. But the industry remains cautiously optimistic for 1983—based on the hope of a consumer durable goods recovery. And for the Free World as a whole, the feeling is that next year's demand could rise as much as 8-10% above depressed 1982 levels.

Tall oil

The combination of slumping demand and heavy stocks is putting new downward pressure on tags. On the inventory front, for example, crude tall oil stocks are running close to 15% above year-earlier levels—and holdings of tall oil resin are said to be triple year-earlier levels. Upshot: Third quarter quotes for crude tall oil could be off $10-20/ton for higher grades and $30-40/ton for lower grades. And bulk quantities of tall oil resin can now probably be had in the low 30-32¢/lb range—well under the high-30s range of a few months back.

Stainless steel

Flat rolled prices continue to tumble. Exports now suggest that buyers are getting as much as 20% off existing lists. Biggest bargains are said to be in Type 316 material. Nor is any nearterm turnaround indicated, as producers themselves admit that overall 1982 shipments of flat rolled products could drop as much as 20% this year. Total stainless demand will be down, too. Some observers put total shipments at under one million tons—well below the 1.2 million estimate made at the beginning of the year.

Ammonia

Usage, running better than 10% behind last year's levels, is putting new downward pressure on prices. Inventories are another problem, with current totals up some 50% above year-earlier readings. In any case, Gulf Coast barge prices have recently been quoted at $125/ton and less—far under the $150-160/ton average of a few months back, and probably even under average production costs. Nor is any nearterm market shift anticipated. There are already signs that financially squeezed farmers may delay mass application of nitrogen fertilizers until next spring. Another factor: The strong

The steel price scene

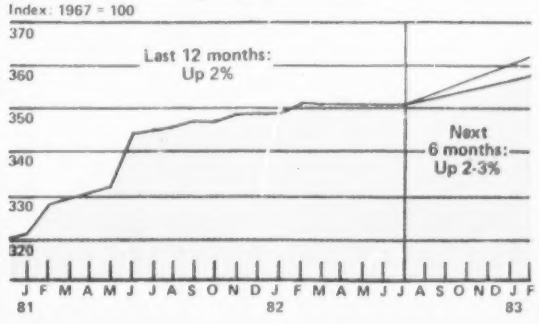
CURRENT SITUATION: The industry is on the ropes—with operating rates dropping under the 50% mark and more than 40% of the workforce currently idled. **There's plenty of discounting, too.** Right now, for example, the composite domestic price is probably only in the $580/ton range—about 5% under lists which have been holding steady since last fall. **Zero in on imports, and tags are considerably lower than that**—with some sources putting the composite import quote in the low 500s range.

DEMAND: Look for some modest improvement over the miserable first half when only 34 million tons were shipped. Best bet: About 19 million tons and 22 million tons will clear the market over the third and fourth quarters, respectively. **But that would still put total 1982 domestic shipments at only 75 million tons**—off 14% from last year. Weakest demand will be in the farm and rail equipment sectors. Inventory paring will also hurt as more than four million tons are lopped off aggregate stocks this year—**though some modest accumulation is possible this fall if business activity picks up.**

SUPPLY: The above demand projections guarantee clear sailing through the rest of 1982—a conclusion confirmed by both service centers and buyers who now see everything in ample or more-than-ample supply through fall. Steel imports will also add to the glut. True, incoming shipments may tail off in view of new penalty duties. But totals for the year will still be in the 14-15 million-ton range. **No sweat for 1983 either—as steel's key auto, construction, and machinery markets show only modest improvement.**

PRICE OUTLOOK: Quotes are about as low as they're going to go. The simple fact is that mills, already awash in a sea of red ink, cannot afford any more concessions. Indeed, the question is not whether tags will rise, but rather when and by how much. Assume modest import restraint and gradual GNP growth—and some drying up of discounts is likely by yearend—**with perhaps even a small hike in lists possible by early next year.**

Steel mill products



Predicts...

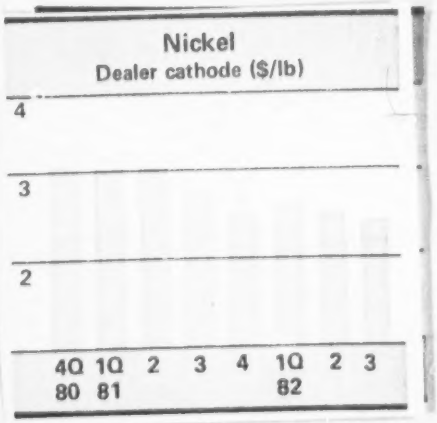
dollar is discouraging exports and encouraging cheap imports.

Zinc

The plating and alloying metal is staging something of a comeback. Prices are now considerbly above the low 32¢/lb trough hit back in early June. Behind the surprising buoyancy: Extended summer plant shutdowns and rising cost pressures. Also on a somewhat bullish note, consumer inventories remain quite low (about 80,000 tons at last report). But there are some doubts as to whether the new levels can hold—given today's low consumption levels. Best bet: continued discounting—but from somewhat higher book levels.

Sulphur

Hurt by low demand, Canadian prices are beginning to tumble. FOB Vancouver quotes have dropped about $6-7/ton on shipments to the United States—and the extension of more generous payment terms (from 30 days up into the 60-90 day range) has probably saved buyers another $5-6/ton. Not surprisingly, U.S. producers of recovered sulphur are following suit. But not so domestic French producers who are holding firm near their $147.50/long ton quote as they cut production to meet smaller demand. But this price, too, could soften—as all projections suggest an oversupplied situation through 1983.



Lead

Somewhat more robust buying by battery makers should buoy up prices a bit over the next few months. But it is highly unlikely that the market can sustain quotes above the 30¢/lb mark anytime soon. One reason: New car production (and hence the demand for batteries) is still far too low. Then, too, there's a lot of mothballed capacity around (secondary producers are currently operating at less than half their potential). True, a 4-5% demand gain is possible next year. But the longterm advance will be a lot more modest than that as more longer-lasting and lighter-weight batteries hit the market.

Titanium

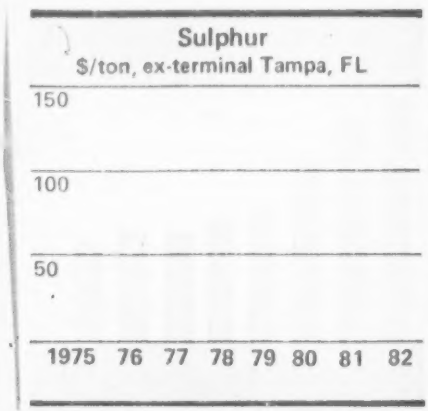
Markets are in a state of disarray—as commercial aircraft demand continues to falter. Most mill-product producers are discounting by as much as 5%—with further confirmation coming from one producer who is telling customers that its bar, billet, plate, sheet, and strip are all "flexible." Distributor bargains are around, too. Some hard-pressed outfits are selling bar and billet some $5-6/lb under producer lists. Adding to the weakness are low sponge prices—with the Soviets offering material for as little as $225/lb.

Polystyrene

Take the new boost (pushing the list for general purpose material up another 2¢/lb—to 45¢/lb) with a couple of grains of salt. Given continued supply-demand imbalance, all signs point to continued discounting, with volume buys available in the low 37-39¢/lb range. If there's any doubt as to buying clout, take a look at operating rates which at latest report were still in the extremely low 50-60% range. The failure of key feedstock (styrene) to rise should also be a nearterm price-rise inhibitor.

Nickel

The relatively quick end of the Inco strike should keep prices under continued downward pressure. Indeed, spot quotes will continue in the low $2.50/lb range for at least another few months (far under the official $3.20/lb list)—despite production cutbacks. The problem, of course, is sagging demand—with Free World usage hard put to even approach last year's 1.11-billion-lb level. True, relatively good gains are seen for next year. But even so, supplies will remain more than ample. So it may not be until mid or late 1983 before current list levels can be reattained—and even that may be wishful thinking on the part of producers.



Machinery

Official price indexes have levelled off after the 9% and higher boosts of last year. And even this doesn't tell the whole story—for there is now plenty of price shading as orders continue to run well under 1981 levels. The situation is particularly bearish in machine tools where bookings lag yearago levels by near 50%. But look for somewhat firmer prices by early next year. Indeed, given pent-up cost pressures and an expected demand pickup, quotes should advance by about 7% on average next year—and maybe by an even slightly faster 8% in 1984. ***PW***

Your forecast for 1982

How the year stacks up—as predicted by hundreds of your peers

The good news is that 1982 will end with substantially reduced inflation. The bad news is that other major business indicators will also be down.

That's the composite outlook for this year as reported by more than 600 purchasing managers who put on their forecasting hats for ***PurchasingWorld***'s 1982 Crystal Ball contest.

In what amounts to perhaps the largest survey of its type ever conducted, the readers of ***PurchasingWorld*** sent in their 1982 forecasts in the hopes of winning a Victor 9000 desktop computer for their abilities to devine the future of the economy. The results: a forecast that represents the collective thinking of the purchasing professionals who make it their business to anticipate the swings in the national economy.

In a similar contest last year, our readers came amazingly close to predicting actual yearend levels of five leading indicators. In fact, the average final forecast for all five indicators was less than one percentage point off from official government measures.

Our 600 forecasters see 1982 shaping up along these lines:

- Real GNP growth—up 1.2%
- GNP implicit price deflator—up 7.3%
- Industrial producer price index—up 8.8%
- Consumer price index—up 8.5%
- Capital spending (in current dollars)—up 8.1%
- Industrial production index—up 2.4%
- Factory operating rates—down by 1.5 percentage points.

Renewed price increases

The purchasing managers' forecast on price levels is significant in that it shows an expectation of new increases. Although PMs are well aware of the dramatic drop in inflation rates over the first half of this year, they still expect the annual rate to end up at over 8%. This can be taken as an indication that PMs expect their suppliers to attempt to recoup early profit losses with a new round of price hikes.

Even so, their forecasts of increases compare favorably with last year's experience. Respective hikes of 7.3%, 8.8%, and 8.5% for the GNP deflator, PPI, and CPI are still nowhere near last year's rises of 8.6%, 10.7%, and 10.4%. These numbers would seem to indicate some confidence that inflation is being controlled—albeit at the expense of growth.

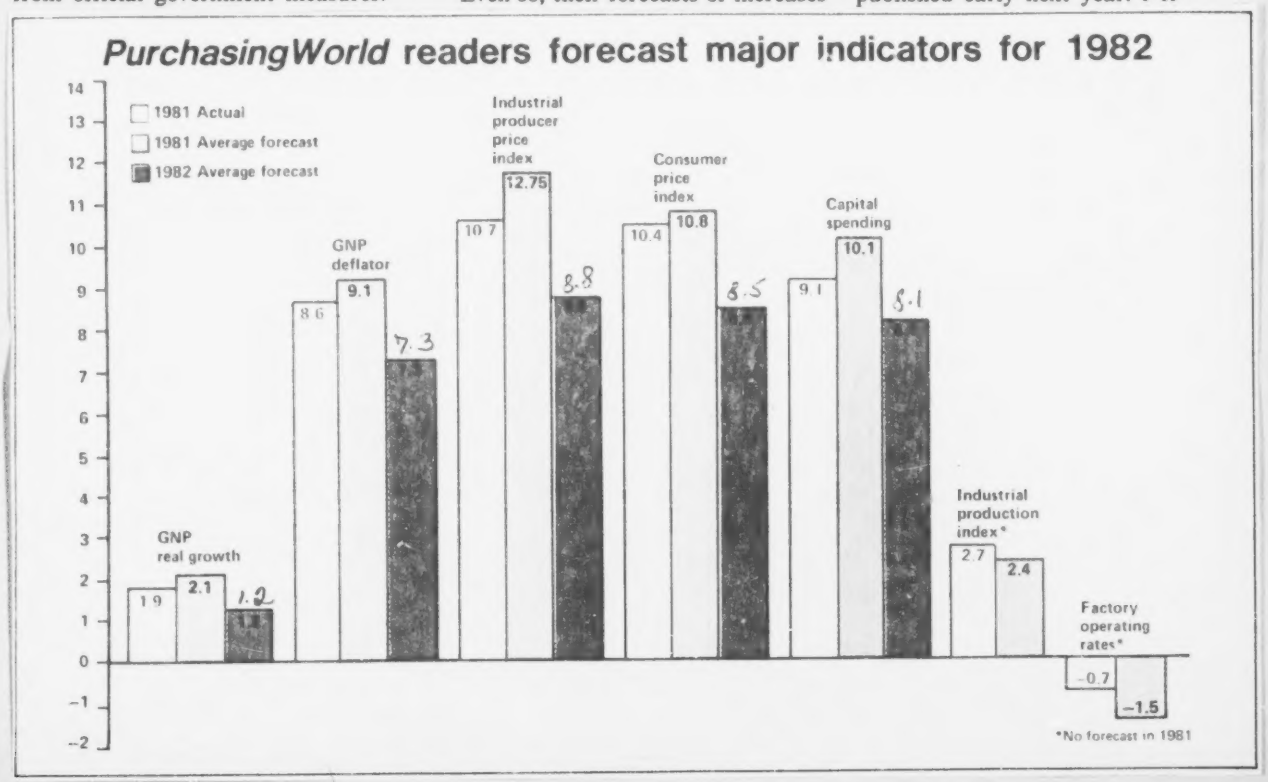
On the dark side

While the news on prices might be encouraging, the forecasts on growth leave little cause for satisfaction. Real GNP growth, for example, shows up at a dismal 1.2%, well below last year's 1.9% rate and far from the average 3.2% rate over the 1966-79 period. And even this projection is slightly optimistic in comparison to the numbers being released by the major econometric firms.

Add in the low forecast for the industrial production index (2.4%) and the expectation that factory operating rates will actually decline slightly (by 1.5 percentage points), and it's easy to see why purchasing managers don't look for much expansion in the gross national product.

Actual figures for 1981 are compared with ***PurchasingWorld*** readers' forecasts for 1981 and 1982.

The final scorecard on just how close you've called the shots will be published early next year. ***PW***

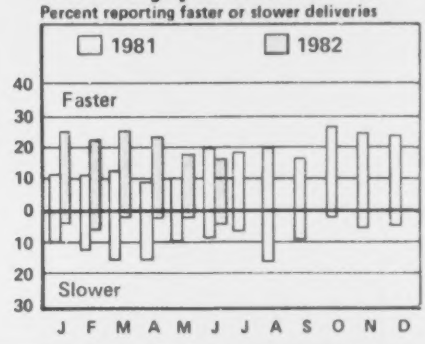


PW monthly procurement status report

Source: NAPM

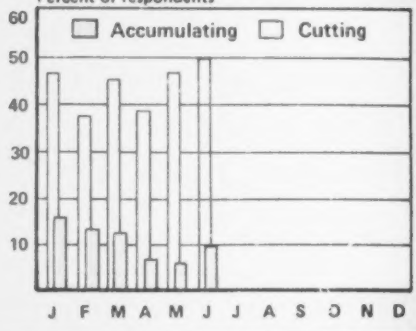
Delivery performance

Percent reporting faster or slower deliveries



Inventory strategy

Percent of respondents



Summer leadtimes shrink slightly, no serious problems foreseen

The summer ordering lull is pushing overall leadtimes in a bit further—with ***PurchasingWorld's*** exclusive leadtime index edging down to 49—slightly under the neutral level of 50, which signifies no change (details chart next page).

But several buyers say this is typical of this time of year—and, as such, see the possibility of a modest fall stretchout as seasonal demand picks up and business slowly begins to recover from current lows.

On the other hand, few see any serious problems this fall or winter—primarily because factory capacity continues to hover in the low-70% range.

In any event, PMs continue to play things as close to the vest as possible—and with good reason: Not one single item is now listed by the NAPM as being in short supply.

Other telltale signs of an all-out buyers market:

- **Delivery times**: Speedier service is reported by 18% of the PMs queried, while only 5% say things have slowed.
- **Inventories**: Paring continues—both because of ready availability and reduced need. At latest report, the parers were outnumbering the accumulators by a hefty 5:1 margin—50% paring and only 10% adding to stocks.
- **Buying policy**: Only 15% say they are now committing 90 days or more in advance—a continuation of the low level that has prevailed since spring. ***PW***

Leadtimes and availability

Chicago: Somewhat shorter waits (in weeks) are noted for shrink film (4-6), printed circuit boards (6-8), and resistors (8-12). Paper is readily available with dealer stocking making for only 1-day waits. But out a bit are aluminum coil (6-8), and softwood framing (3).

Cleveland: Paints are in slightly (2-3 weeks for coil coating and 1-2 weeks for maintenance types). Ditto, cold-finished aluminum (to only 6). No changes for corrugated (3), folding cartons (4), 2-ply fiber drums (2), polyethylene and PVC resins (2) alloying materials (on demand), lumber (3) and skids (3).

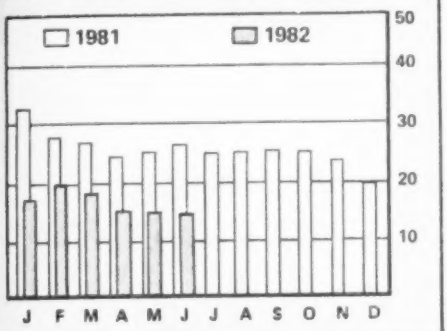
Houston: Reduced leads are reported for boilers and furnaces (7-9 months), shop-built heavy wall reactors and converters (8-11 months), heat exchangers (8-9 months for high pressure types and 5-9 months for alloy carbon steel types). But tungsten carbide parts are out a bit (to 14-18 weeks). Some concern about steel castings, too.

Los Angeles: Several changes both up and down. Stretching a bit are grey iron castings (6-8 weeks), brass castings (6-8), electro-mechanical devices (8-10), and specialty wire (6). Coming in are galvanized steel (3), copper tubing (6), copper fittings (2-4), insulation material (4), and aluminum sheet (6-8).

Philadelphia: Some PMs report a small stretchout in corrugated (to 3-4 weeks). On the other hand carbon steel bars are in a bit (to 4-6). Unchanged are xerographic paper (1), order entry forms (4-6), packaging foam (a week or less), standard fasteners (3-4), standard valves (6), standard pumps (8), and lube oils (1).

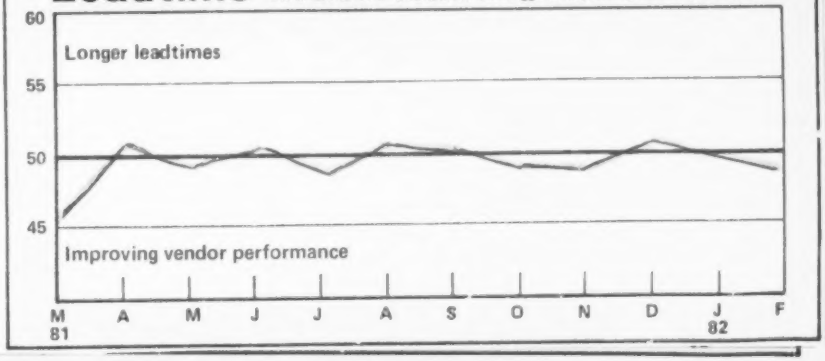
Pittsburgh: Little significant change here—with these typical leads (in weeks): Multiwall bags (10-12), corrugated boxes (3-4), wirebound boxes (6-7), standard steel drums (2-3), bleached and natural kraft papers (4-6), lumber and plywood (2-4), steel strapping (2-3), and polyethylene and PVC (4).

Forward commitments



Leadtime index

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.



Leadtimes (in weeks)

Steel	Now	Month ago	Six months ago
Sheet (Phil)	5	5	5
C-R Sheet (Chgo)	4½	4½	4½
Plate (Phil)	4½	4½	5
Plate (Chgo)	2	2	2
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	6½	6½	8½
H-R Bars (Chgo)	2	2	2
Cold-Drawn Bars (Phil)	12	12	12
Galvanized (LA)	3½	7	7
Galvanized (Chgo)	4½	4½	4½
Structurals (Chgo)	2	2	2
Structurals (Hous)	17	17	17
Tubing (Phil)	19	19	10
Grey Iron Castings (LA)	7	4	4
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	17	17	22

Electric & Electronic	Now	Month ago	Six months ago
Cables (Chgo)	8½	8½	10½
Capacitors (Chgo)	13	13	5
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	7	7
ICs (Linear) (Phil)	11	11	12
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	7	13	6
Relays (Chgo)	15	15	12
Resistors (Chgo)	10	12	8
Resistors, Wirebound (Phil)	18	18	18
Transformers (Chgo)	10	10	10

Lumber	Now	Month ago	Six months ago
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	3	3	2
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	l/5	l/5	l/5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½

Packaging	Now	Month ago	Six months ago
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	11	11	11
Cartons, Corrugated (Clev)	3	3	3
Cartons, Corrugated (Hous)	3	3	4
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	7	7	7
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	5	6	6
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	3½	3½	3½
Drums, Steel, Std. (Pgh)	2½	2½	2½
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	6½	6½	6½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3

Chemicals-Plastics	Now	Month ago	Six months ago
Adhesives (LA)	1½	1½	2½
Naphthalene (Chgo)	2	2	2
Paint (LA)	3½	4	3
Paint, Coil Coating (Pgh)	3	3	3
Paint, Maint. (Clev)	1½	2	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Clev)	2	2	2½
Polyethylene Resin (Pgh)	4	4	5
PVC Resin (Chgo)	1	1	1
PVC Resin (Pgh)	4	4	5
Titanium Dioxide (LA)	1½	1½	1

Paper	Now	Month ago	Six months ago
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½

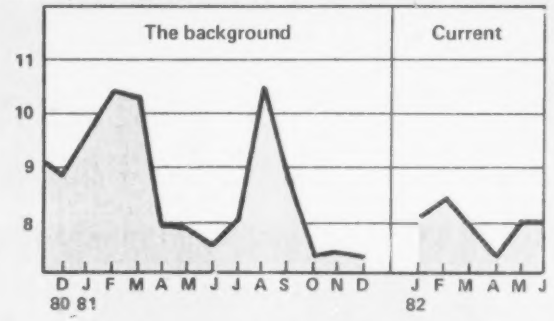
Non-Ferrous	Now	Month ago	Six months ago
Aluminum Coil (Chgo)	7½	6	6
Aluminum Plate (Chgo)	7	7	8
Aluminum Sheet (LA)	7	10	11
Aluminum Sheet (Chgo)	8	8	8
Brass Castings (LA)	7	4	4
Brass Rods (Chgo)	2½	2½	2½
Brass Sheet (Chgo)	5	5	5
Brass Tube (Chgo)	9	9	9
Copper Fittings (LA)	3	5½	5
Copper Mill Prod. (Pgh)	6	7½	7
Copper Tube (LA)	6	6	6
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	3
Magnesium (Pgh)	2	2	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	4	4	6
Wire, Specialty (LA)	6	5	5
Zinc (Pgh)	2	2	2

Miscellaneous	Now	Month ago	Six months ago
Bearings, Domestic (Phil)	22	22	22
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	352	52	52
Compressors, Centrifugal (Hous)	57	57	57
Compressors, Reciproc. (Hous)	45	45	45
Fasteners (Chgo)	½	½	½
Fasteners (LA)	10	6	6
Fasteners, Std. (Phil)	3½	3½	3½
Heat Exchangers, Carbon-alloy Steel (Hous)	32	37	37
Heat Exchangers, Hi-pressure (Hous)	37	46	46
Insulation Mat'l. (LA)	4	4½	5
Machined Parts (Hous)	9	9	12
Pipes & Valves (Chgo)	l	1	½
Pumps (Hous)	4l	4l	4l
Pumps (LA)	10	5	5
Rubber, Synthetic (LA)	1½	1	1½
Rubber Hose (LA)	5	7	7
Tungsten Carbide Parts (Hous)	16	15	16
Valves, Cast Steel (Hous)	13	13	17
Welding Supplies (Hous)	5	5	5

Leading indicators

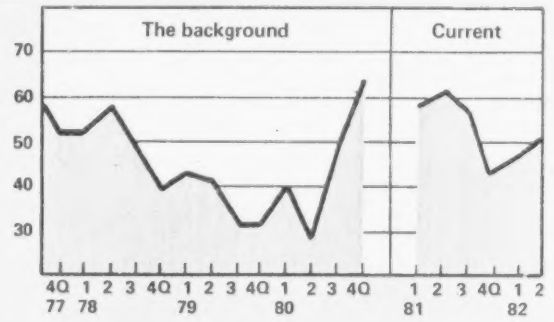
1. Auto sales

Millions, seasonally adjusted annual rate



2. Business confidence

Index



3. Help wanted

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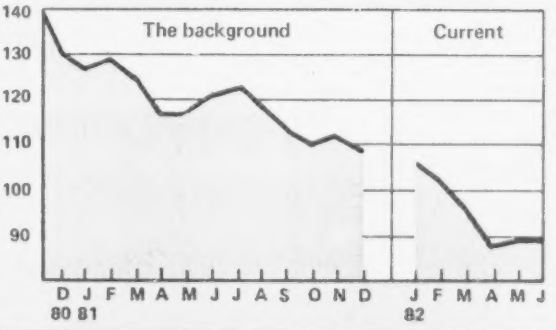


Business in brief:

Prime indicators limping along

Things may be levelling off. But there are still precious few signs of any meaningful pickup in overall activity.

If there's any doubt on this score, take a look at some of the nation's prime indicators shown on this page. Car sales, for example, are currently limping along at a disappointing 8-million-unit annual rate (top graph). And preliminary early summer figures aren't any more encouraging. True, the current car sales level is better than the 7-million-unit low of some recent months. But it is nowhere near the 9-million rate than some analysts had been projecting.

Nor are recent government moves (the midyear tax cut and higher Social Security benefits) likely to make for any dramatic improvement. The typical paycheck won't be all that much bigger and won't provide nearly enough additional purchasing power to fuel a boom in buying of big-ticket items such as autos.

The labor market also leaves quite a lot to be desired. The unemployment rate continues to run in the 9%-plus range, and job opportunities are scarce. Witness, for example, the help-wanted index (lower graph) which is now running an eye-opening 20% under late 1981 levels. This has to have some impact. For even if consumers are predisposed to loosen up on their pursestrings, they're likely to think twice, given today's shaky job market.

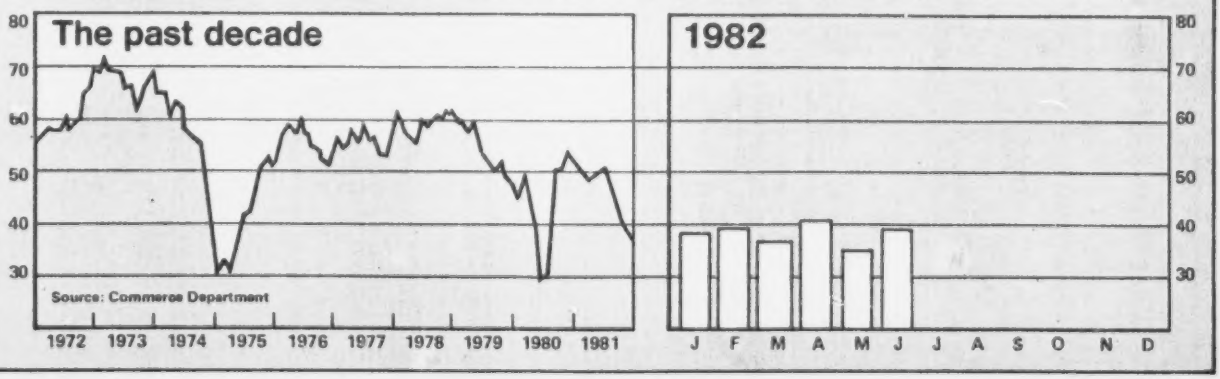
New orders, a key indicator of future activity, also confirms the still rather lackluster prognosis. This is particularly true in the sensitive machine tool sector where incoming business trails yearago levels by almost 50%.

But despite all this discouraging news, there are some signs that the worst may be over. Housing starts have been inching up of late, and the same is true of overall construction awards.

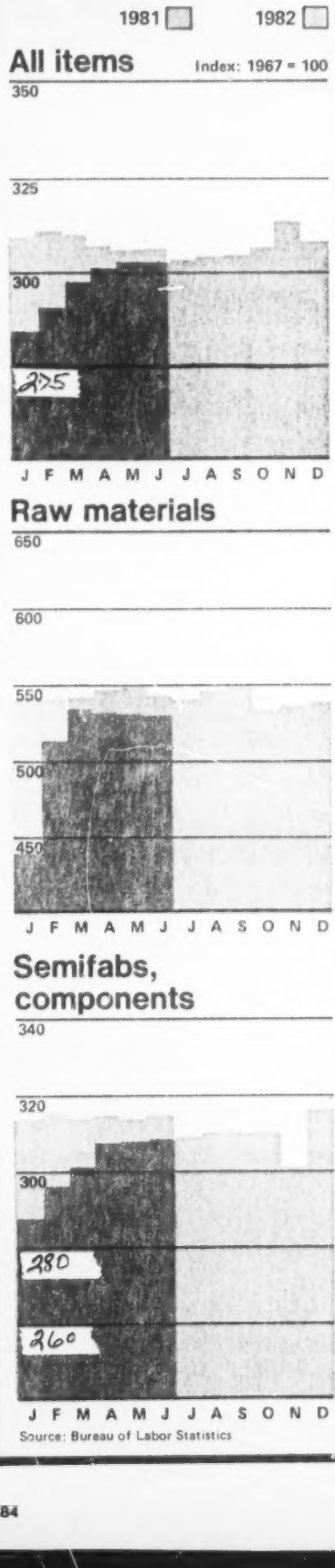
Equally significant is the slight uptick in ***Purchasing-World***'s sensitive NAPM barometer (below). To be sure, one month doesn't make a trend. Even so, if this bellwether index continues to move up toward the neutral 50 level through the summer months, then a modest business turn around may be possible by fall or early winter. ***PW***

NAPM business barometer

Based on five indicators (employment, inventories, new orders, production, vendor performance)



Industrial prices at a glance



Source: Bureau of Labor Statistics

Price easiness continues

The second quarter price lull is spilling over into the summer months, with preliminary indications suggesting that overall industrial price averages will show only fractional gains over the July-September period.

Right now, odds favor an increase of only 2-3% at annual rate over the next few months—roughly the same rate of advance noted this past spring.

Note, too, the liberal sprinkling of minus signs appearing in the table below. Add in all the "no changes," and it is probably the producer price index's best performance in over two decades.

Again, steel, nonferrous metals, and plastic resins remain weakest. Paper and packaging quotes also are said to be on the soft side. And the same is true of many machinery and equipment lines as small scattered increases in lists are offset by unofficial discounting.

On the other hand, energy tags—spearheaded by recent gasoline increases—have tended to firm a bit. But even here, the nearterm prognosis is not all that bad. New levelling off in world crude oil prices suggests a parallel levelling off in refined product quotes over the next few months. ***PW***

This month's breakdown

	Latest level (May)	Percent change from: Month ago	Year ago
Bearings	334.0	0	13.9
Bolts, nuts, etc.	273.6	0	3.0
Chemicals, inorganic	317.0	1.1	11.5
Chemicals, organic	377.5	-1.0	-8.2
Concrete products	297.1	0.1	2.0
Cutting tools, small	277.0	0.1	5.7
Electrical instruments	258.3	0	15.8
Electric lamps (bulbs)	288.0	1.4	7.3
Fans and blowers	334.8	0	6.6
Fittings, industrial	309.1	0	2.0
Foundry and forge products	346.0	0	6.0
Fuel oil (residual)	1189.4	0.9	9.8
Furniture, commercial	275.5	0.4	6.9
Gasoline	610.0	-4.2	-18.2
Glass, flat	216.2	0	2.9
Glass containers	357.4	0	6.6
Gypsum products	259.4	-1.3	-0.7
Hand tools	333.2	0.5	7.6
Hand tools, power driven	221.3	0.7	4.3
Industrial furnaces	352.4	1.0	5.2
Integrating and measuring instruments	212.7	0.8	8.5
Internal combustion engines	324.9	1.5	9.3
Lubricating oil	888.1	0	0.8
Lumber millwork	275.8	0.2	0.4
Material handling equipment	288.3	0.1	4.0
Metal containers	330.1	0.1	5.1
Metal mill shapes (nonferrous)	299.8	0.1	-1.2
Metal tanks	312.4	0.1	3.2
Motors and generators	311.7	0	7.4
Motor trucks	276.5	2.3	6.1
Office and store equipment	151.0	0	2.9
Paperboard	258.8	0.9	0
Paper boxes and shipping containers	251.4	0.3	3.2
Paper office supplies	223.3	0.6	4.6
Paint	265.1	2.2	6.0
Plastic resins	285.4	0.2	0.9
Precision measuring tools	238.6	1.1	8.6
Pumps and compressors	348.6	0.4	8.3
Refractories	340.4	0.2	12.0
Rubber belts and belting	330.4	0.3	15.8
Scales and balances	224.9	0	6.1
Steel products	350.9	0	6.1
Switchgear	260.0	0.4	4.6
Textiles, synthetic fibers	164.3	1.4	5.1
Textiles, gray fabrics	145.5	-0.2	-0.2
Tires and tubes	255.0	0.2	1.5
Transformers and power regulators	222.8	0.2	7.9
Valves, industrial	327.9	0.1	4.3
Welding equipment	267.2	0	2.8
Wire and cable	208.2	0.1	0

Latest spot market prices

Ferrous metals

	Latest price	Previous month	Year ago
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	22.90	22.90	21.65
Steel, structural shapes, Chi., cwt.	22.90	22.90	21.65
Steel, structural shapes, Los Angeles, cwt.	24.40	23.40	20.40
Steel, bars, dlvd. Phila., cwt., merchant quality	14.35	14.35	14.35
Steel, bars, Pitts, cwt.	14.35	14.35	14.35
Steel, bars, C.R., Pitts, cwt.	31.00	31.00	29.20
Steel, plates, Chi., cwt.	24.25	24.25	23.25
Steel, plates, Pitts., cwt.	24.25	24.25	23.25
Steel, plates, H.R., Pitts., cwt.	20.80	20.80	20.80
Steel, sheets, C.R., Detroit, cwt.	24.65	24.65	24.65
Steel, strip, C.R., Chi., cwt.	29.05	29.05	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	24.20

Nonferrous metals

Aluminum, ingot, lb. (market place)	0.76	0.76	0.76
Alum. sheet, H-14 3003, .04 in., 48x144, mill fin., lb.	1.02	1.02	1.02
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cast ingot, lb.	4.60	4.60	4.11
Brass, red, 85%, [sheet], lb.	1.14	1.20	1.22
Brass, yellow, [sheet], lb.	1.08	1.11	1.16
Cadmium, ton lots, lb.	1.00	1.10	1.75
Copper, electrolytic, wire bars, refd., lb.	0.69	0.73	0.86
Copper sheet, over 24 in., lb.	1.23	1.26	1.31
Lead, common, N.Y., lb.	0.27	0.25	0.39
Magnesium, pig ingot, [99.8%], lb.	1.34	1.34	1.34
Mercury, 20 fl. lots, N.Y., fl.	362.00	365.00	426.00
Molybdenum Climax Oxide/bags, lb.	8.50	8.50	9.35
Nickel, electrolytic, producer lb.	3.20	3.20	3.50
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	5.89	6.44	8.25
Tin, Straights, N.Y., lb.	6.25	6.53	6.53
Zinc, Prime West, East St. Louis, lb.	0.37	0.38	0.46
Zinc, die casting alloy, No. 3, lb.	0.435	0.415	0.518

Chemicals

Acrylonitrile, tanks, lb.	0.460	0.460	0.440
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	210.00	210.00	210.00
Benzene, petroleum, tanks, Houston, gal.	1.51	1.52	1.75
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	17.50
Cresylic acid [over 25%], tanks, lb.	0.66	0.66	0.66
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	0.101	0.101	0.072
Glycerine, synthetic, tanks, lb.	0.805	0.805	0.805
Linseed oil, raw, bulk, carlots, lb., f.o.b. N.Y.	0.315	0.315	0.355
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.715	0.715	0.795
Naphthalene, crude, tanks, lb.	0.220	0.220	0.205
Phthalic anhydride, tanks, lb.	0.33	0.42	0.42
Polyethylene resin, low density liner film grade (market price), lb.	0.27	0.27	0.36
Polypropylene, homopolymer grade (market price), lb.	0.38	0.38	0.40
Polystyrene, general purpose grade (market price) lb.	0.37	0.37	0.44
Resin, W.G. grade, carlots, f.o.b., N.Y., cwt.	46.50	46.50	45.50
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.325	0.375	0.375
Sulphur, crude, ex-terminal, Tampa, Fla. long-ton	147.50	147.50	140.00
Sulphuric acid, 66%, commercial, tanks, ton	93.69	93.69	93.69
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.63
Xylene tanks, gal.	1.45	1.48	1.50

Paper

	Latest price	Previous month	Year ago
Bond paper, No. 1 sulfite, water marked, 20-lb., 4 cartons, cwt.	68.60	68.60	68.60
Gummed sealing tape, carton	15.70	15.70	15.45
Offset paper, No. 1 Grade	49.70	49.70	45.50
Folding boxboard, white clay coated 80 bright, ton	403.62	403.62	404.50
Wrapping paper, std. distribution cost, kraft, basis wt. 50 lb., roll	28.00	28.00	21.00
Kraft linerboard, 42 lb., unbleached, ton	270.00	20.003	300.00

Building materials

Lumber, 2x4 fir, mbf, cl	290.78	307.49	336.15
Lumber 2x2, pine, mbf, cl	292.67	284.95	305.03
Plywood, plyform, 3/4", msf, cl	583.55	581.05	607.70
Plywood, 5/8", msf, cl	337.09	329.79	357.49
Cement, bulk, ton, tl	62.42	62.42	60.23
Sand, ton, cl	6.09	6.07	6.10
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	45.78	45.77	44.94
Crushed stone, 1½", ton, cl	7.93	7.66	7.50
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.75	0.74	0.68
Gypsum sheathing, ½"x1"x8", msf, tl	155.88	154.57	146.93
Brick, common, per thousand, tl	175.70	175.60	163.06
Asphalt paving, AC-20	156.77	161.57	N.A.
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.64	6.62	6.51

Textiles

Burlap, 10 oz., 40", N.Y., yd.	0.236	0.240	0.250
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.00	1.00	1.02
Cotton middling, 1", N.Y., lb.	0.659	0.604	0.770
Printcloth, 48", 80x80, N.Y., spot. yd.	0.610	0.630	0.820
Army duck, 37", 13 oz., yd.	1.70	1.70	1.70
Blended printcloth, 64", 78x54, yd.	0.590	0.625	0.770
20s combed yarns	1.72	1.72	1.85
Wool tops, N.Y., lb.	3.60	3.60	3.60

Hides and rubber

Hides, cow, light native, packers, Chi., lb.	0.430	0.435	0.440
Rubber, No. 1 std., ribbed smoked sheets, N.Y., lb.	0.468	0.468	0.563

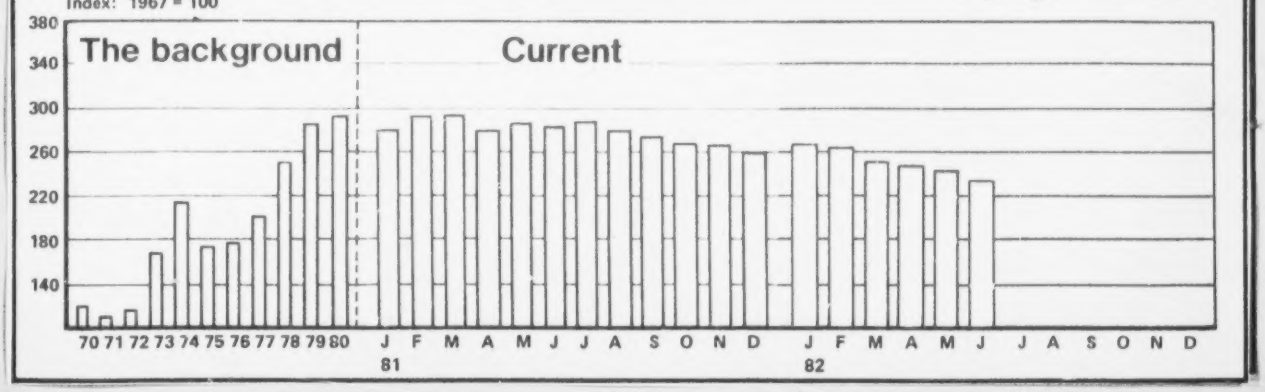
Fuels

Fuel oil, No. 6 or Bunker C, Gulf., bbl.	24.50	25.75	23.25
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	32.55	31.00	32.50
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.996	0.920	1.065
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.990	0.956	1.010
Heating oil, No. 2, Chi., bulk, gal.	0.975	0.945	0.990
Heating oil, No. 2, N.Y., bulk, gal.	0.959	0.943	1.013
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.60	25.10	23.80
Jet kerosene, gal.	0.890	0.900	N.A.
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.34	0.34	0.44

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

PW raw material price barometer

Latest month 232.2
Month before 245.5
Year ago 286.6



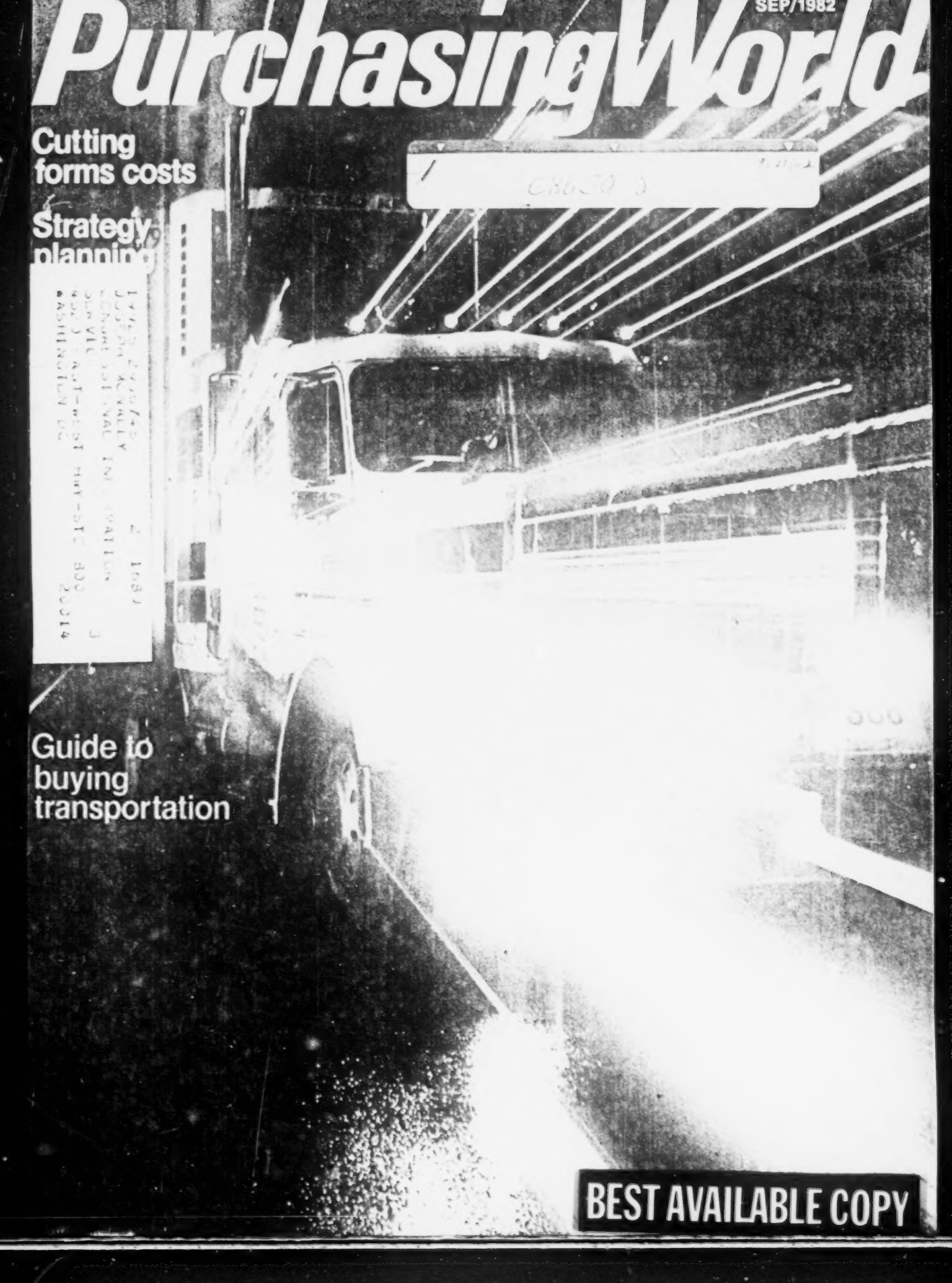
SEP/1982

Purchasing World

Cutting forms costs

Strategy planning

Guide to buying transportation



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PurchasingWorld®

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Helping you manage the business of buying

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Packaging buyers expect discounts

Buyers are calling most of the signals these days in the big $40-billion-plus packaging market.

The combination of more-than-ample capacity, falling demand, and competitive infighting has in many cases brought prices down to under-yearago levels. And while some firming is anticipated, it should be gradual. Even then, it's not likely to occur before early next year.

That in a nutshell is how some of the nation's top packaging buyers size up this crucial procurement area. Responding to a new *PurchasingWorld* survey, they see the current and near-term situations basically shaping up along these lines:

■ **Current prices:** No sweat anywhere, with an impressive 35% of the respondents noting declines in their overall packaging mix over the past 12 months. And another 39% say they've experienced little or no meaningful change on either the up or down side.

To be sure, the situation varies significantly—depending on an individual's buying clout, purchasing location, and the type of packaging being purchased. But there's little disagreement that there are now substantial discounts to be had if you press hard enough—especially in the highly competitive corrugated carton market.

Bargains in the latter area, incidentally, are backed up by official Fibre Box Association figures. Average realized quotes, according to the group, are off more than 1% from year-earlier levels. And one big corrugated buyer adds, "you can practically name your price."

Price shading—though on a more limited scale—is also noted in such other bellwether sectors as paper bags, flexible packaging, folding boxes, steel drums, and metal cans. There are good buys on plastic packaging, too, as resin prices remain extremely depressed.

And if further confirmation of general softness is needed, take a look at a new Agriculture Department estimate which puts current packaging prices pretty much on par with comparable 1981 experience—in sharp contrast to the 7% advance noted during the previous year.

■ **Current demand:** The accompanying chart sums up the state of the market—with output of packaging containers off some 9% from year-earlier levels.

Zero in on individual product lines and the picture is equally as bleak. Year-to-date corrugated shipments, for example, are down more than 6%. And even the normally cyclically-insulated metal can sector shows some sharp drops relative to comparable 1981 performance.

■ **Future demand:** Any buying pickup—at least on an overall basis—is expected to be quite moderate. To be sure, about three out of every five PMs now say they expect to increase their purchases of packaging materials over the next 12 months. But if you factor in those who see no change and the few who anticipate even further declines, then the overall increase is only in the order of 2-3%.

■ **Future prices:** Buyers are convinced prices will have to rise, if only to offset mounting cost pressures. But by and large the increases are expected to be on the modest side. Not one respondent, for example, sees an increase of more than 5% for his overall packaging mix. And the average hike for all respondents comes to just a bit over 3%.

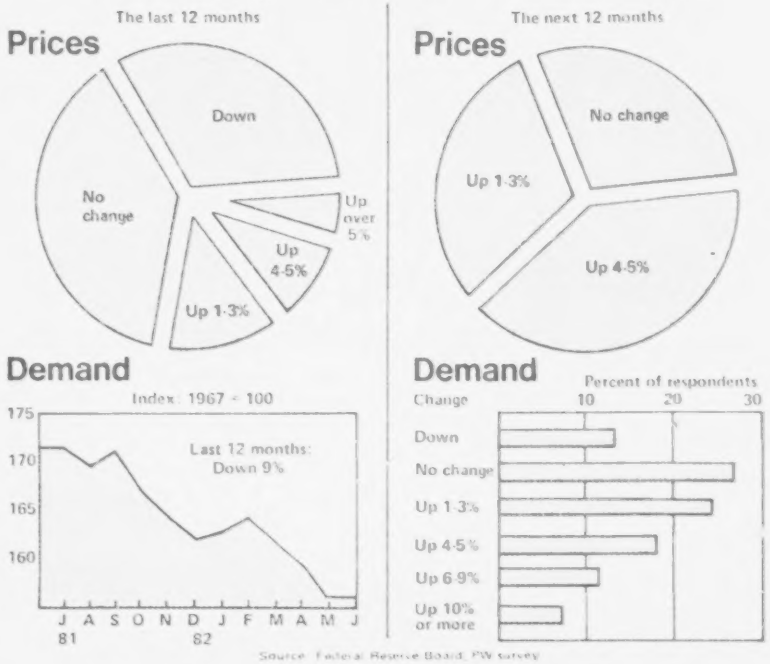
On a product-by-product basis, almost all buyers are bracing for higher corrugated prices—with an increase expected to come in early 1983 when key linerboard costs are projected to go up. The average corrugated increase over the next year is put at somewhere near 5%.

But buyers seem determined to keep these and other increases as low as possible—by a combination of hard-nosed bargaining, pitting one supplier against another, substitution, and continuing shifts to lighter-gauge materials.

One respondent, in an effort to cut costs, even talks of reusing packages when and where possible. And another says he is now monitoring basic paper, metal, and plastic costs—to judge whether any proposed boost in a finished packaging product is justifiable.

Perhaps purchasers' attitudes on packaging is best summed up by this buyer's comment: "Any vendor unwilling to lower prices or meet the competition is now in danger of losing a big share of our business—even when he has been a reliable, longterm supplier. Given current business conditions, we can't afford to ignore any savings—even if it's only for a single month." ***PW***

Packaging markets at a glance



Source: Federal Reserve Board, PW survey

PW Predicts...

By Robert S. Reichard, prices, economics editor

Good bargains on equipment

More and more bargains are cropping up on the business equipment front.

And with good reason: The recession, and more particularly dwindling profit margins and overcapacity, have made most corporate managers think twice and even three times before committing any big new purchases. A few examples of what can now be characterized as an allout buyers' market:

■ *Machine tools:* Good buys are available on many Japanese makes—as "in-U.S." inventories in some cases mount to near a five-month supply. Discounts range to as much as 15-20%—with financing terms stretched out over a period of several years. Extended grace periods before original payments are also common.

■ *Cutting tools:* Markets are in disarray. Not only has a recent 5% price increase failed to hold, but discounts in recent weeks have been ranging as much as 40-50% off official lists.

■ *Computers:* Even traditionally list-oriented IBM has joined the price-cutting fray. The giant firm, for example, is said to be offering big discounts on some items and is reportedly willing to negotiate prices in an effort to drum up sales.

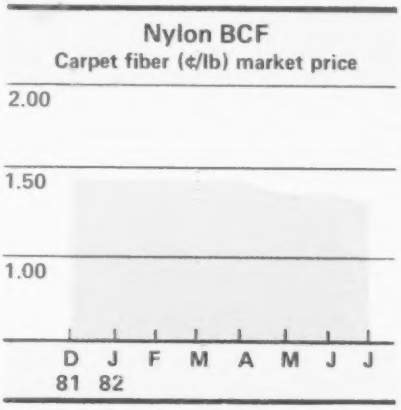
■ *Wire electric discharge machines:* Buyers of these EDMs are demanding special terms with their purchases—and in many cases are getting them. Deals involve outright discounting off list, extended payment terms, free accessories, and free shipping.

Steel

Continuing under-50% mill operating rates tell the story here. With only little fourth quarter improvement expected, the industry will be lucky to ship 68-70 million tons this year—some 17-19 million under 1981. And next year doesn't look all that bullish either—with only about 80 million tons seen. As such, any price advance from current lows is likely to be slow—with any new attempt to boost lists delayed until at least early next year. Imports—expected to top 16 million tons this year—could be another price-rise inhibitor.

Synthetic fibers

Disappointing demand is putting new downward pressure on prices. This is particularly true in the nylon carpet area where 5¢/lb has been lopped off the going price of BCF and staple—and a further 5¢/lb decline can't be ruled out if carpet buying remains at currently depressed levels. Renewed softness is also noted in nylon textile filament (off 5-10¢/lb)—as is polyester textile filament where sharp declines in Chinese buying could make for another price reduction by early fall.



Refined petroleum products

Look for most prices to remain at current levels through fall—except for some seasonal rises by late fourth quarter in the heating oil sphere. One factor behind the price lull is the continuing oil glut. But equally important is continuing poor demand. U.S. consumption this year, for example, could be off by more than 4%—with the biggest declines in residual (down 12-13%). Increased efficiency also plays a role. Thus U.S. energy use per GNP dollar will drop under 49 thousand BTUs—a sharp drop from the 60-plus readings of pre-OPEC days.

Low-density polyethylene

Still no indication of a turnaround—with this year's demand put at only 7.5-7.7 billion lb (virtually unchanged from last year's disppointing levels). But plant shutdowns should make for a somewhat firmer price picture by early next year—especially if demand picks up. On the latter score, most producers are hopeful of selling 7.9 billion lb next year—enough to bring average 1983 prices up to near 35¢/lb for the key liner grade—about 5¢/lb above currently prevailing levels.

Electronic components

Prices for the key 64K RAM chip are beginning to bottom out—after falling from more than $20 at the beginning of 1981 to only about $5 a few months ago. The going price is now somewhere in the vicinity of $5-8—with the next move (either up or down) depending on Justice Department antitrust moves against Japanese producers who now control about two-thirds of the world market for the chip.

Lead

The heavy metal shows few signs of lifting out of the upper 20s range. Indications of weakness include: (1) less-than-expected demand from battery makers—reflecting poor new car demand, (2) a continuing phaseout of lead in gasoline, and (3) the extended payment terms being granted by producers. On the latter score, buyers are said to be seeking as much as 90-120 days to pay their bills—up substantially from recent 30-60 day levels. Longer term, however, prices will have to rise; secondary producers need some 30-

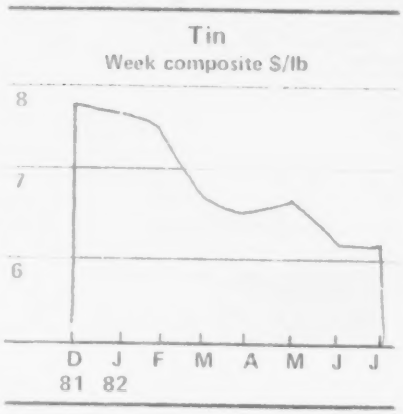
32¢/lb to remain viable in today's markets.

Cobalt

Some African metal is now moving at near $8/lb—and dealers are said to be undercutting even that price. In any event, it's a far cry from producer lists which are still in the high $12.50/lb range. But this is basically an unrealistic quote—as Zambia reportedly offers material for under $9/lb. More important, some observers feel prices could slip even further in the fourth quarter if demand doesn't begin to show some signs of life.

Tin

Some modest price firming is possible by late this month or in October. Reason: Recently announced producer export quotas—plus support operations by the buffer stock manager. These could well tighten up the market—even if demand doesn't pick up. In any case, producers seem determined to help bring supply and demand back into balance—and are already openly talking of extending export cutbacks through much if not all of next year.



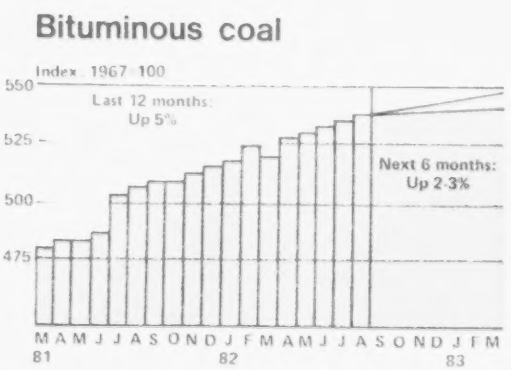
Vinyl acetate

Monomer lists have been chopped 5½¢/lb—to bring them back into line with prevailing market tabs. And while this could well be the low point, little nearterm firming is anticipated. Meantime, the monomer softness is spreading to polyvinyl acetate resins where discounting as high as 15-20% off a 24¢/lb list is reported. Adding to the

Bituminous coal price scene

CURRENT SITUATION: Markets have turned soft—a reflection of the recession which, in turn, has pushed demand for electricity, metallurgical coal and exports well under earlier projections. True, overall price averages are up a bit because of stronger contract tags. But the more volatile spot quotes are sagging, **with prices off 10% and 30% for metallurgical and steam types, respectively.** Another sign of easines: Output is being cut back—with 12% of the nation's coal miners now on the relief roles.

DEMAND: The industry will be lucky to post a 1-2% consumption gain this year (to 735-740 million tons). And exports look to remain flat at 110 million tons. But things **should be looking up longer term**—with the National Coal Association projecting a 24% overall domestic use gain over the 1980-85 period—led by both the utility and industrial/retail markets. The group also sees about a 22% jump in exports over this 5-year period. And for 1985-90, consumption and exports should both advance by about 25%.



SUPPLY: It's basically a glutted market. Signs of the times: (1) Stockpiles are now well above normal levels on both the utility and mine levels, and (2) mines are barely operating at breakeven points. And more capacity is on the way. **By 1985, for example, the industry plans to turn out 985 million tons—up 20% from 1980 readings** with an even bigger 25% jump anticipated over the following five years. And while much of the increase will come from the West, Eastern coal will still predominate (with a 63% share in 1990).

PRICE OUTLOOK: Little more than a 2-3% overall advance is seen over the next six months. And even this may be on the high side. The Energy Department, would seem to concur—**putting first quarter 1983 coal delivered to utilities at only $1.66/million BTU**—only fractionally above today's $1.62/million BTU quote. And over the longer run, "full-service" delivery—putting mines next to power plants, getting favorable rail haulage rates, etc.—should also help moderate any overall rise.

Predicts...

weakness in the resin area is the 15% drop in demand from 1981 levels with little hope of improvement of any order through yearend.

Industrial gases

The recent 10% increase in oxygen, nitrogen, hydrogen, and argon is in trouble. Reason: The largest U.S. producer has failed to go along, noting that it will probably hold the price line until sometime next year. Factors behind the reluctance to boost prices now: slow demand—plus the fact that a spate of new expansions in recent years has led to substantial overcapacity. But some increases seem inevitable by next spring—as electricity, transportation, and other costs continue to climb.

Zinc

An expected 10% reduction in U.S. 1982 consumption is keeping prices from rising—despite extended summer shutdowns on the part of most mines and smelters, reduced producer inventories, and increased use of the metal for the zinc penny. In any case, the latter represents no big consumption rise—accounting for only about 4% of total usage. The point is that a major recovery will have to wait on a pickup in the key auto and construction industries—and that's still nowhere in sight.

Copper

Prices are about as low as they're going to get—as most producers sink deeper into the red and the Chinese enter into the market for significant tonnages. On the other hand, there's little sign of any sustained rally—with all signs pointing to a backing and filling in the upper 60s-low 70s range through early fall despite the fact that U.S. producers are operating at less than one-third of their mine capacity. In any event, any bounceback into the upper 80s-low 90s is still at least another 3-6 months away.

Propylene

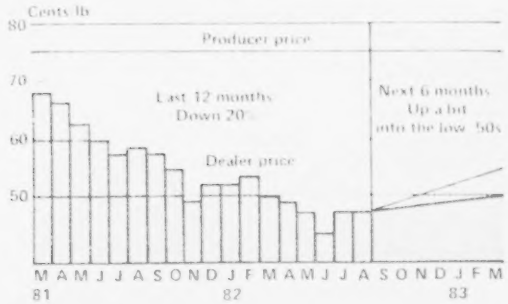
Earlier talk of a tightening supply has failed to materialize. Indeed, price erosion is now the order of the day—with some 1½¢/lb knocked off the going price (bringing the chemical and polymer grades down to 20½¢/lb and 22½¢/lb, respectively). One reason for the weakening market: Demand from polyproplylene producers remains low. Right now PP will be lucky to eke out a small 1-2% demand advance over 1981 when only about 3.9 billion lb cleared the market.

PW

Aluminum price scene

CURRENT SITUATION: Extemely poor market fundamentals continue to keep the light metal under pressure. Dealer ingot, for example, continues to back and fill in the low or mid-40s range—some 30¢/lb under the official 76¢/lb producer list. **Semifabricated tags are equally as soft**—with quadruple 5% discounts on common alloy products and triple 5% cuts on heat-treated products. Other signs of an allout buyers' market: primary operating rates which have slipped down to near the 60% level, high producer inventories, sagging domestic orders (down close to 15% so far this year), and dismal profit margins.

Aluminum ingot



DEMAND: U.S. shipments will be off about 8% this year—to only 6.1 million tons. Only can stock seems to be doing tolerably well. Other demand inhibitors include: (1) close-to-the-vest customer inventorying (stocks are at their lowest level in nearly a decade), and (2) the lack of Chinese buying—something which helped the industry during the last big (1974-75) downturn. **But next year looks somewhat better**—as transportation consumption hopefully leads the industry to a 7-10% gain over 1982's depressed levels.

SUPPLY: No problems through next year—and probably beyond—on a combination of less-than-sensational demand projections, high producer inventories and low operating rates. Other factors assuring ample tonnage: (1) **Continued selling by East bloc producers** (some 80% of LME stocks now comes from behind the Iron Curtain, (2) **still-substantial U.S. imports**—even when the metal has to be warehoused, and (3) **the growing role of recycled metal** (now about 900,000 tons a year—or 11% of total U.S. supply).

PRICE OUTLOOK: Below-cost selling (ingot tags now run anywhere from 15-35¢/lb under average global production costs) virtually dictate some boosts when demand begins to pick up. Some industry spokesmen talk in terms of a 10¢/lb hike by early 1983. But that seems overly bullish. Best bet: A slow steady advance starting sometime by late fall or winter—but not enough to bring market quotes for ingot up to list before late 1983 at the earliest.

Short delivery waits continue —inventory paring unabated

The summer is ending where it began—with virtually everything in easy supply and leadtimes steady to even slightly shorter. The latter trend is summarized in *PurchasingWorld*'s exclusive leadtime index, where the latest reading of 49 (50 is the neutral level) suggests that delivery waits continue to edge down—at least as far as overall averages are concerned.

The fact that many more PMs still report faster than slower deliveries also has to be considered another indication of today's no-sweat situation. Specifically, the 12% reporting speedups is four times bigger than the 3% who have experienced some slowdown in recent weeks.

Talks with surveyed buyers, however, indicate that it will be extremely hard to eke out any further meaningful improvement—as more and more items approach the "on demand" status. Some concern is also expressed about a possible modest stretchout toward yearend if rosy Administration forecasts prove to be correct.

But such concern isn't enough to make for any change in purchasing strategy. Thus, (1) inventory paring continues unabated (50% paring as of the latest month compared to only 10% adding), and (2) buying on a hand-to-mouth basis is increasing (now up substantially to 18% from the 11% reading of a year earlier).

Also indicative of a soft market: Not one item is now listed as being in short supply. ***PW***

Leadtimes and availability

Chicago: Some declines are noted in lumber—with these new leads (in weeks): softwood framing (2), softwood plywood (2), and sanded plyform (2-3). Most metals remain unchanged. Samples: cold-rolled steel sheet (4-5), steel structurals (2), aluminum sheet (8), common alloy aluminum plate (6-8), and copper sheet (5).

Cleveland: Smooth sailing virtually everywhere, with current leads (in weeks) as follows: steel cannisters (6), two-ply fiber drums (2), folding cartons (4), maintenance paint (1-2), polyethylene and polyvinyl chloride (2), cold-finished aluminum (6), alloying metals (on demand), glassine papers (4-5), and strapping (2-3).

Houston: Centrifugal compressors have come in a bit to 10-16 months. Ditto, steel fabricated light-wall pressure vessels (to 9-14 months). Other typical leads (in weeks): tungsten carbide parts (14-16), packaging materials (2-4), special machined parts (8-10), MRO items (2-4), and mill steel (4-8).

Los Angeles: On the downside (in weeks) are heavy-duty steel (9-10), fasteners (9-13), natural rubber (12), carbon black (1½), paint (2), and adhesives (1½). But out a bit are synthetic rubber (3), filler clay (3), heavy aluminum sheet and pipe (48-52), electrical equipment (13-26), and silbrased fittings (17-26).

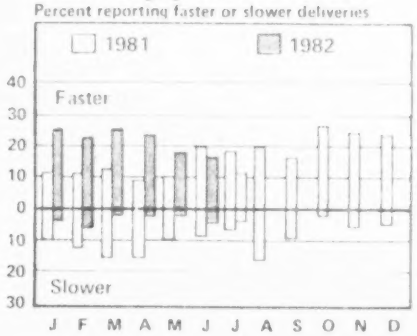
Philadelphia: Electronic items are generally in. New shorter leads (in weeks): wire-wound resistors (10), specialty wire-wound resistors (6), metal film resistors (10-12), low-power Shotky ICs (14-16), power transformers (8-12), and printed circuit boards (6). But carbon steel bar from mills is out to 5-7.

Pittsburgh: Little meaningful change this month—with these prevailing waits (in weeks): corrugated (3-4), wirebound boxes (6-7), glassine and grease-proof papers (5-6), bleached kraft (4-6), lumber and plywood (2-4), packaging seals (1-2), polyethylene and PVC (4), and plastic films (2-4).

PW monthly procurement status report

Delivery performance

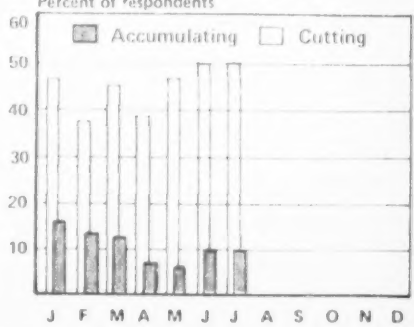
Percent reporting faster or slower deliveries



Source: NAPM

Inventory strategy

Percent of respondents



Leadtimes (in weeks)

Steel

	Now	Month ago	Six months ago
Sheet (Phil)	5	5	5
C-R Sheet (Chgo)	4½	4½	4½
Plate (Phil)	4½	4½	5
Plate (Chgo)	2	2	2
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	6	5	8½
H-R Bars (Chgo)	2	2	2
Cold-Drawn Bars (Phil)	12	12	12
Galvanized (LA)	3½	3½	7
Galvanized (Chgo)	4½	4½	4½
Structurals (Chgo)	2	2	2
Structurals (Hous)	17	17	17
Tubing (Phil)	19	19	10
Grey Iron Castings (LA)	7	7	4
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	17	17	22

Electric & Electronic

Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	13	13	11
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	9	9
ICs (Linear) (Phil)	11	11	12
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	7	7	10
Relays (Chgo)	15	15	12
Resistors (Chgo)	10	10	10
Resistors, Wirebound (Phil)	10	18	18
Transformers (Chgo)	10	10	10

Lumber

Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	2	3	2
Plywood (Phil)	3	3	3
Softwood (Clev)	3	3	3
Softwood (Phil)	1.5	1.5	1.5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½

Packaging

	Now	Month ago	Six months ago
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	11	11	11
Cartons, Corrugated (Clev)	3	3	3
Cartons, Corrugated (Hous)	3	3	4
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	7	7	7
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	5	5	6
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	3½	3½	3½
Drums, Steel, Std. (Pgh)	2½	2½	2½
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	6½	6½	6½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3

Chemicals-Plastics

Adhesives (LA)	1½	2	1½
Naphthalene (Chgo)	2	2	2
Paint (LA)	2	3½	5
Paint, Coil Coating (Pgh)	3	3	3
Paint, Maint. (Clev)	1½	1½	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Clev)	2	2	2½
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	1	1	1
PVC Resin (Pgh)	4	4	4
Titanium Dioxide (LA)	1	1½	1

Paper

Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½

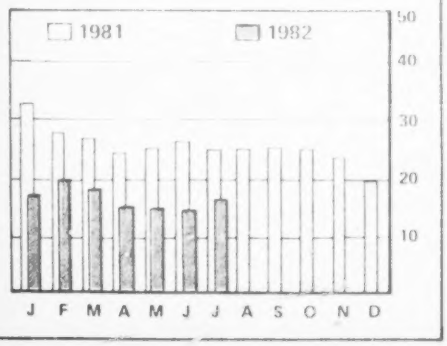
Non-Ferrous

	Now	Month ago	Six months ago
Aluminum Coil (Chgo)	7½	7½	6
Aluminum Plate (Chgo)	7	7	7
Aluminum Sheet (LA)	7	7	12
Aluminum Sheet (Chgo)	8	8	8
Brass Castings (LA)	7	7	5½
Brass Rods (Chgo)	2½	2½	2½
Brass Sheet (Chgo)	5	5	5
Brass Tube (Chgo)	9	9	9
Copper Fittings (LA)	3	3	6
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	6	6	6
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	3
Magnesium (Pgh)	2	2	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	4	4	6
Wire, Specialty (LA)	4	4	6
Zinc (Pgh)	2	2	2

Miscellaneous

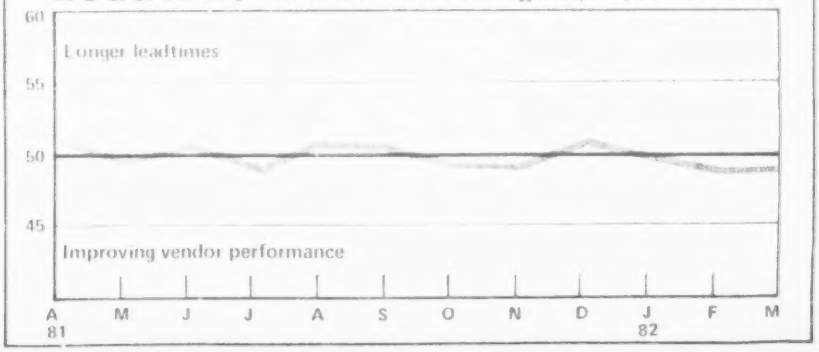
Bearings, Domestic (Phil)	22	22	22
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	52
Compressors, Centrifugal (Hous)	56	60	60
Compressors, Reciproc. (Hous)	45	45	45
Fasteners (Chgo)	½	½	½
Fasteners (LA)	10	10	4½
Fasteners, Std. (Phil)	3½	3½	3½
Heat Exchangers, Carbon-alloy Steel (Hous)	32	32	37
Heat Exchangers, Hi-pressure (Hous)	37	37	46
Insulation Mat'l. (LA)	4	4	5
Machined Parts (Hous)	9	9	12
Pipes & Valves (Chgo)	1	1	3
Pumps (Hous)	41	41	41
Pumps (LA)	10	10	10
Rubber, Synthetic (LA)	3	1½	1½
Rubber Hose (LA)	5	5	7
Tungsten Carbide Parts (Hous)	15	15	16
Valves, Cast Steel (Hous)	13	13	17
Welding Supplies (Hous)	5	5	5

Forward commitments



Leadtime index

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.



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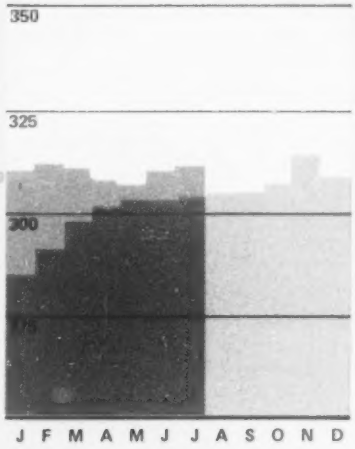
Industrial prices at a glance

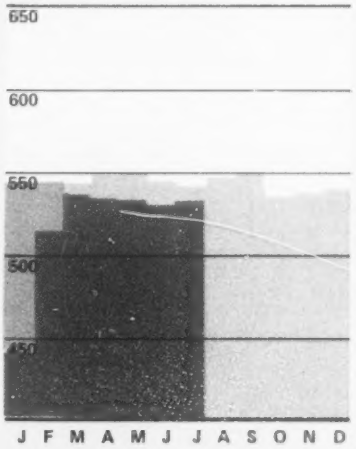
1981 ☐ 1982 ▩

All items

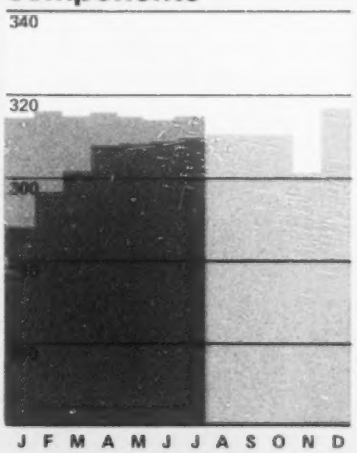
Index: 1967 = 100



Raw materials



Semifabs, components



Source: Bureau of Labor Statistics

Expect more low prices

The current price respite shows every sign of spilling over into fall.

Metal prices, for one, are expected to remain especially weak—as the key auto and construction industries continue to be plagued by interest rates.

A similar situation is shaping up in most other key raw material areas. Specifically, there's little indication of any upward pull in petrochemicals, plastic resins, synthetic fibers, and most building materials. In fact, some further price erosion can't be ruled out in these basic sectors.

Current easiness in petroleum is still antoher price-rise inhibitor—with a continuing oil glut and poor demand combining to keep a lid on tags. On the demand front here, for example, U.S. oil consumption this year could be off upwards of 4%.

More-highly fabricated products aren't escaping unscathed either. Indeed, the small increases in many machinery items may well be overstated as better credit terms are offered to entice the few still in the market.

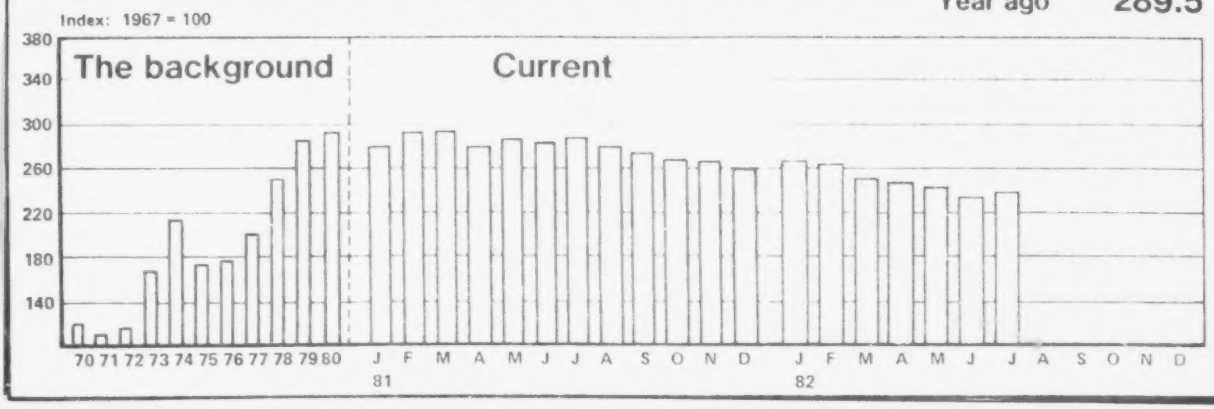
But perhaps the best indicators of today's buyers' market are the liberal sprinkling of minus signs and no other changes in the table below. A pattern not seen in several decades. ***PW***

This month's breakdown

	Latest level (June)	Percent change from: Month ago	Year ago
Bearings	334.0	0	13.5
Bolts, nuts, etc.	273.6	0	4.1
Chemicals, inorganic	317.8	0.3	10.8
Chemicals, organic	369.1	2.2	10.3
Concrete products	297.9	0.3	1.5
Cutting tools, small	278.2	0.4	6.0
Electrical instruments	258.3	0	15.5
Electric lamps (bulbs)	287.5	0.2	6.5
Fans and blowers	334.8	0	5.0
Fittings, industrial	309.1	0	2.0
Foundry and forge products	345.2	0.2	4.8
Fuel oil (residual)	1227.2	3.2	2.3
Furniture, commercial	276.2	0.3	7.1
Gasoline	636.5	4.3	14.4
Glass, flat	216.2	0	2.8
Glass containers	357.4	0	6.6
Gypsum products	256.4	1.2	1.6
Hand tools	337.9	1.1	8.7
Hand tools, power driven	221.7	0.2	4.5
Industrial furnaces	353.5	0.3	5.4
Integrating and measuring instruments	212.8	0	8.4
Internal combustion engines	325.3	0.1	9.1
Lubricating oil	888.1	0	0.8
Lumber millwork	280.1	1.6	2.9
Material handling equipment	286.9	0.5	3.7
Metal containers	330.2	0	5.1
Metal mill shapes (nonferrous)	296.6	1.1	2.5
Metal tanks	312.8	0.1	2.9
Motors and generators	312.0	0.1	6.7
Motor trucks	281.5	1.8	6.8
Office and store equipment	151.6	0.4	3.3
Paperboard	255.9	1.1	1.3
Paper boxes and shipping containers	250.7	0.3	2.4
Paper office supplies	226.5	1.4	5.3
Paint	265.1	0	6.0
Plastic resins	281.9	1.2	2.8
Precision measuring tools	233.6	0	6.5
Pumps and compressors	347.3	0.4	7.5
Refractories	340.9	0.1	11.0
Rubber belts and belting	330.5	0	13.3
Scales and balances	225.4	0.2	0.2
Steel products	348.6	0.7	5.3
Switchgear	261.2	0.5	4.1
Textiles, synthetic fibers	163.8	0.3	3.7
Textiles, gray fabrics	145.8	0.2	1.1
Tires and tubes	255.3	0.1	1.6
Transformers and power regulators	223.1	0.1	7.1
Valves, industrial	327.2	0.2	3.8
Welding equipment	267.4	0.1	2.0
Wire and cable	204.4	1.8	0.8

PW raw material price barometer

Latest month 236.0
Month before 232.2
Year ago 289.5



Latest spot market prices

Ferrous metals

	Latest price	Previous month	Year ago
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	22.90	21.65
Steel, structural shapes, Chi., cwt.	22.90	22.90	21.65
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	22.15
Steel, bars, dlvd. Phila., cwt., merchant quality	14.35	14.35	14.35
Steel, bars, Pitts, cwt.	14.35	14.35	14.35
Steel, bars, C.R., Pitts, cwt.	31.00	31.00	29.20
Steel, plates, Chi., cwt.	24.25	24.25	23.25
Steel, plates, Pitts., cwt.	24.25	24.25	23.25
Steel, plates, H.R., Pitts., cwt.	20.80	20.80	20.80
Steel, sheets, C.R., Detroit, cwt.	24.25	24.25	24.25
Steel, strip, C.R., Chi., cwt.	29.05	29.05	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	25.95

Nonferrous metals

Aluminum, ingot, lb. (market place)	0.76	0.76	0.76
Alum. sheet, H-H4 3003, .04 in., 48x144, mill fin., lb.	1.02	1.02	1.02
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cast ingot, lb.	4.60	4.60	4.11
Brass, red, 85%, [sheet], lb.	1.16	1.14	1.26
Brass, yellow, [sheet], lb.	1.10	1.08	1.20
Cadmium, ton lots, lb.	1.00	1.10	1.75
Copper, electrolytic, wire bars, refd., lb.	0.71	0.69	0.85
Copper sheet, over 24 in., lb.	1.25	1.23	1.35
Lead, common, N.Y., lb.	0.26	0.27	0.45
Magnesium, pig ingot, [99.8%], lb.	1.34	1.34	1.34
Mercury, 20 fl. lots, N.Y., fl.	345.00	362.00	435.00
Molybdenum Climax Oxide/bags, lb.	8.50	8.50	8.25
Nickel, electrolytic, producer, lb.	3.20	3.20	3.50
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	6.97	5.89	8.30
Tin, Straights, N.Y., lb.	6.22	6.25	7.35
Zinc, Prime West, East St. Louis, lb.	0.37	0.37	0.49
Zinc, die casting alloy, No. 3, lb.	0.435	0.435	0.520

Chemicals

Acrylonitrile, tanks, lb.	0.460	0.460	0.440
Ammonia, anhydrous, fertilizer, wholesale: tanks, ton	210.00	210.00	210.00
Benzene, petroleum, tanks, Houston, gal.	1.50	1.51	1.60
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	17.50
Cresylic acid [over 25%], tanks, lb.	0.66	0.66	0.66
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	0.101	0.101	0.101
Glycerine, synthetic, tanks, lb.	0.805	0.805	0.805
Linseed oil, raw, bulk, carlots, lb., f.o.b. N.Y.	0.315	0.315	0.355
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.715	0.715	0.795
Naphthalene, crude, tanks, lb.	0.220	0.220	0.205
Phthalic anhydride, tanks, lb.	0.33	0.33	0.42
Polyethylene resin, low density liner film grade (market price), lb.	0.27	0.27	0.34
Polypropylene, homopolymer grade (market price), lb.	0.38	0.38	0.37
Polystyrene, general purpose grade (market price) lb.	0.37	0.37	0.43
Resin, W.G. grade, carlots, f.o.b., N.Y., cwt.	46.50	46.50	46.50
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.335	0.325	0.375
Sulphur, crude, ex-terminal, Tampa, Fla. long-ton	147.50	147.50	140.00
Sulphuric acid, 66%, commercial, tanks, ton	93.69	93.69	93.69
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.63
Xylene tanks, gal.	1.45	1.48	1.50

Paper

	Latest price	Previous month	Year ago
Bond paper, No. 1 sulfite, water marked, 20-lb., 4 cartons, cwt.	68.50	68.50	68.50
Gummed sealing tape, carton	15.70	15.70	15.45
Offset paper, No. 1 Grade	49.70	49.70	45.50
Folding boxboard, white clay coated 80 bright, ton	403.62	403.62	411.67
Wrapping paper, std. distribution cost, kraft, basis wt. 50 lb., roll	28.00	28.00	21.00
Kraft linerboard, 42 lb., unbleached, ton	270.00	270.00	300.00

Building materials

Lumber, 2x4 fir, mbf, cl	289.73	290.78	335.83
Lumber 2x2, pine, mbf, cl	294.23	292.67	305.93
Plywood, plyform, 3/4", msf, cl	574.55	583.55	608.80
Plywood, 5/8", msf, cl	342.99	337.09	358.39
Cement, bulk, ton, tl	62.42	62.42	60.19
Sand, ton, cl	6.02	6.09	6.10
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	46.35	45.78	45.16
Crushed stone, 1½", ton, cl	7.75	7.93	7.50
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.75	0.75	0.68
Gypsum sheathing, ½"x1"x8", msf, tl	156.04	155.88	147.21
Brick, common, per thousand, tl	176.05	175.70	162.96
Asphalt paving, AC-20	155.38	156.77	173.96
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.58	6.64	6.49

Textiles

Burlap, 10 oz., 40", N.Y., yd.	0.238	0.236	0.246
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	0.96	1.00	1.02
Cotton middling, 1", N.Y., lb.	0.621	0.659	0.707
Printcloth, 48", 80x80, N.Y., spot, yd.	0.58	0.61	0.83
Army duck, 37", 13 oz., yd.	1.70	1.70	1.70
Blended printcloth, 64", 78x54, yd.	0.590	0.590	0.770
20s combed yarns	1.72	1.72	1.85
Wool tops, N.Y., lb.	3.60	3.60	3.60

Hides and rubber

Hides, cow, light native, packers, Chi., lb.	0.445	0.430	0.483
Rubber, No. 1 std., ribbed smoked sheets, N.Y., lb.	0.470	0.468	0.550

Fuels

Fuel oil, No. 6 or Bunker C, Gulf., bbl.	23.50	24.50	24.75
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	32.00	32.58	32.50
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	1.006	0.996	1.054
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.940	0.990	1.010
Heating oil, No. 2, Chi., bulk, gal.	0.940	0.975	0.955
Heating oil, No. 2, N.Y., bulk, gal.	0.940	0.959	1.013
Heavy fuel, PS 400, Los Angeles, rack, bbl.	25.00	26.60	22.50
Jet kerosene, gal.	0.885	0.890	0.898
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.33	0.34	0.44

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

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Business Systems
Data File

PurchasingWorld®

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Helping you manage the business of buying

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Mixed outlook for freight charges

How are freight rates faring these days? The answer could well be up, down, or sideways—depending upon whom you happen to be talking to.

Some heads-up transportation buyers, for example, taking advantage of deregulation and intensifying competition, have actually managed to bring their overall receiving and shipping bills down over the past year or so.

Yet talk to others—and the story is a lot different—with rates continuing to move up—albeit at not quite the double-digit pace of the past few years.

In short, transportation costs are all over the lot these days. A new ***PurchasingWorld*** survey, for example, suggests that while 54% of the respondents did see their bills rise over the past 12 months, a substantial 36% managed to bring down costs and another 10% were able to hold the line at levels prevailing the previous year.

To be sure, few expect to be quite as successful in beating off increases over the next 12 months. But a fair number still feel they can effect some further small reductions in selected areas.

Other key findings of the just-completed survey:

■ The average weighted freight rate increase over the past year was on the order of 2%—though the range in individual cases was quite wide, with 27% reporting 5%-or-larger increases and an almost-as-large 23% noting overall declines of the same magnitude.

■ Railroad rates over the past 12 months have tended to increase at a somewhat faster pace than those for trucks or air cargo—though by no means as much as suggested by Uncle Sam's official freight rate index which, as of latest report, showed a 6% advance compared to year-earlier levels.

■ The average 1983 hike for all modes of transportation is put at 4-5%—not all that bad in view of the accelerating cost pressures faced by most carriers these days.

Nevertheless, some PMs are still cautiously optimistic about wresting further trucking concessions from carriers. On the other hand, they're pretty much reconciled to increases in most other transportation modes—including some fair-sized boosts in the barge and ocean steamship area.

Every single user of air freight, for example, is expecting increases over the next 12 months—with the advances varying anywhere from 1% to 10%. That's a lot different from this past year when about 30% of air users managed to achieve some sort of rate rollback.

But even in the air sector, many feel that there should still be some room for maneuvering—for less than half of the cargo capacity in passenger planes is now being used. Then, too, they note the current difficulty that domestic and North Atlantic carriers are having in agreeing on fall 1982 increases.

In any case, PMs are leaving no stone unturned in their drive to keep transportation costs in line—with contractual agreements figuring significantly in their strategy. The saving from such contracts, they say, can run anywhere from a few percentage points all the way up into the 15% range.

There has also been some shifting in the trucking sphere—away from common carriers and toward private or exempt carriage—with savings in the quite-impressive 15% and even 20% range. Several respondents also tell of economies achieved by more use of irregular common carriers.

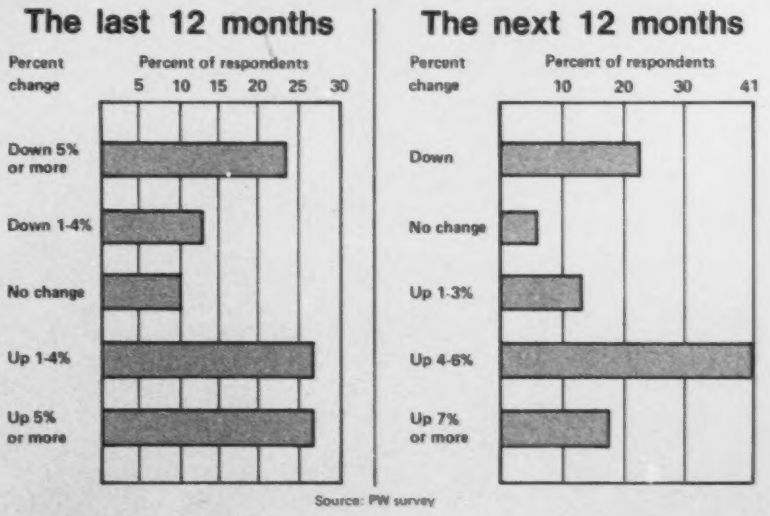
And in a few instances there have even been some intermodal shifts. One buyer, for example, tells of a 10%-plus savings achieved by stopping all rail shipments on incoming material—and instead opting for trucks (both contract and common carrier types).

But there are also shifts the other way. An Atlanta-based Eaton Corp. executive notes that by changing from truck to rail on cross-country shipments of trailer loads, he has been able to effect savings ranging anywhere from 20-40%. And another PM tells of a move from straight trucking to piggyback that saved his company $300 per truckload.

Other approaches cited as effective in cutting down on overall transportation costs: (1) the development of truck competition for rail shipments, (2) fuel conservation drives and contests by private fleets, (3) more attempts to buy in truckload quantities, (4) obtaining performance guarantees from carriers, and (5) keeping up the pressure for better rates.

The latter approach is perhaps best summed up by one astute transportation buyer: "We find that if the volume is substantial enough, most carriers are willing to negotiate. And there's no reason why things should be any different in 1983—unless, of course, the economy takes off. And we just don't see that happening." ***PW***

How transportation costs shape up



Source: PW survey

PW Predicts...

By Robert S. Reichard, prices, economics editor

Good values in imports continue

Imports are more attractive than ever—with average quotes on incoming shipments off more than 2% so far this year.

Credit the downdrift to a combination of factors—including overseas subsidies, poor domestic demands in foreign countries, and a strong U.S. dollar. On the latter score, the U.S. currency on a trade-weighted basis buys 10% more than it did just a year ago. But whatever the reason or reasons, new figures compiled by the Bureau of Labor Statistics are pretty impressive. They show some import tags down as much as 10% under a year ago—with a good portion of the decline occuring over the past 3-6 months.

Here are some year-to-year declines worth noting: wood products (5.9%), textiles (3.3%), iron and steel (1.9%), metal fasteners (2.7%), air pumps and compressors (3.9%), photo equipment (7.4%), and watches and clocks (8.7%).

The steel bargains are also confirmed by both buyers and steel service centers. In two recent surveys, almost every respondent said foreign metal is now coming in at levels under comparable domestic grades.

Nor are prices the only factor behind the current import wave. Often, quality differences—either real or perceived—play a major role. This would certainly seem to be the case in autos, where market penetration continues to grow despite the fact that imported auto tags are running 6% above a year ago.

Steel

Discounting is still the order of the day—with spot prices in a number of products running as much as 15% under list levels. Nor is any pickup in

Textiles price scene

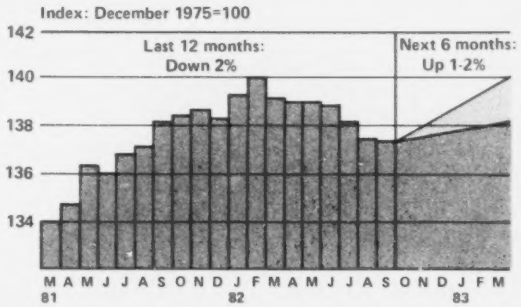
CURRENT SITUATION: The industry—all the way from basic fibers to finished goods—is feeling the impact of the 1982 recession. Output is down more than 10% from last year's highs—and unemployment has risen to near the 20% mark. And the situation is being further aggravated by the rising imports and falling exports. **Prices, too, have been softening:** the broad-based textile mill products index (see chart) is off only about 2%.

DEMAND: No major nearterm improvement is seen—though there could be fractional gains by the fourth quarter as higher take-home pay engendered by the recent tax cut is translated into some additional spending on small-ticket apparel items. On the other hand, carpet sales will continue to run well under year-ago levels until the housing market picks up. **Next year, however, could be considerably better,** as stronger final demand and some modest inventory replenishment makes for **about a 5-7% overall gain.**

SUPPLY: Buyers remain firmly in the saddle as industry operating rates continue to sag. This is most clearly evident in basic fibers where noncellulosics (nylon, polyester, and acrylics) and cellulosics (rayon and acetates) struggle to stay at the 70% level. Moreover, even with the modest demand pickup envisioned for 1983, most of these fibers will be hard put to climb back to the 80% level. **Imports will also continue to play a major role**—as Far Eastern suppliers press to maintain this year's big market penetration.

PRICE OUTLOOK: Don't rule out some bottoming out over the next few months—both in the fiber and fabric areas. But any meaningful increases are highly unlikely until next spring. And even then, they're likely to be relatively modest as overcapacity and a continuing influx of cheap imports cuts down on producer price-boosting leverage. Indeed, even if you factor in some badly needed increases in the basic synthetic fiber sector (maybe 5-10%), **overall 1983 textile mill product price averages aren't likely to rise by more than 3-5%.**

Textile mill products



demand—the kind that would firm up prices—anticipated anytime soon. During the last three months of the year, for example, domestic mills will be lucky to ship 18 million tons (only 72 million at annual rate). And even next year isn't expected to see any dramatic recovery in demand—with most early estimates putting the 1983 shipping total in the 74-77 million-ton range.

Fasteners

Plenty of opportunities for good buys—with some 43% of surveyed sellers now openly admitting that discounts are proliferating—in sharp contrast to the only 14% reporting fewer price deals. Two other signs of easiness: (1) more than half the companies are now operating at under 65% of their potential, (2) producers reporting higher inventories now outnumber those noting lower stocks by nearly a 2:1 margin (43% higher versus 23% lower, with the rest remaining unchanged).

Aluminum

Still no sign of a pickup, as orders lag yearago levels by a substantial margin. Right now, U.S. primaries will be lucky to ship 6.1-6.2 million tons this year—down 6-7% from 1981 levels. Upshot: Spot ingot tags will be hard put to break out of the upper 40s range nearterm—though production cutbacks (the industry is operating at only 60% of its potential) and rising costs (Pacific Northwest power rates may rise 50%) will eventually have an impact. But any climb back to the official 76¢/lb producer quote is still nowhere in sight.

Polypropylene

Prices of this popular commodity resin continue to erode—because of slow demand and declines in propylene feedstock costs. Major purchases of the key homopolymer grade can now be had for as low as 37-40¢/lb—far under the official 42-50¢/lb list. Moreover, if propylene tags drop another few cents

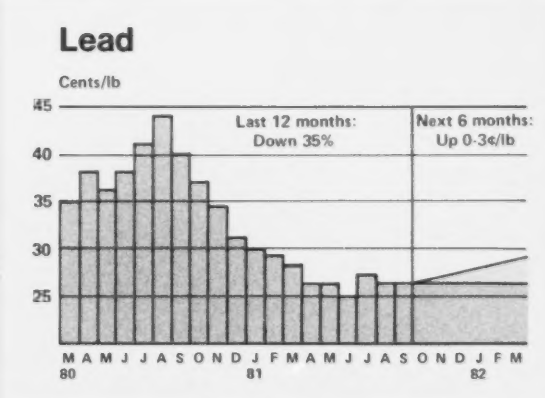
Lead price scene

CURRENT SITUATION: The heavy metal continues to sag, with prices backing and filling in the mid-to-upper 20s range—a far cry from the 40¢/lb-and-higher quotes of last year. **Buyers are also managing to stretch out payment terms**—sometimes by as much as an additional 15-30 days. Other signs of a continuing bear market: (1) current orders are not coming in at nearly the pace envisioned just a few months ago, and (2) producer stocks are still rising and are now some 20% above earlier levels.

DEMAND: Overall domestic shipments will be off a few percentage points this year—primarily because of reduced battery demand from Detroit. The industry has also been disappointed by new EPA rulings which reaffirm Washington's determination to continue the lead-in-gasoline phasedown. **But if auto buying picks up next year** (most forecasts suggest a modest rise), **then shipments could advance by as much as 3-4%.**

SUPPLY: Today's high inventories and low operating rates tell the story here. On the latter score, domestic secondary producers who now account for roughly two-thirds of total U.S. production potential, are now operating at only 50% of their potential. Viewed from another perspective, **the 1.2 million tons or so of lead that will be consumed in the United States this year represents less than 70% of the industry's annual potential.** Add in more-than-ample capacity in other producing areas, and it suggests a "no sweat" situation through 1983 and probably out into 1984 and 1985 as well.

PRICE OUTLOOK: Excessive inventories—on both the metal and battery levels—will keep a nearterm lid on prices. True, cost pressures would seem to virtually dictate boosts; the industry needs at least a 30-32¢/lb price to remain viable these days. But it's hard to see this level reached before next spring—and even then it will depend on the extent of the expected auto (and hence battery) pickup. **As for a return to the mid-40s levels of last summer—forget it. It's still nowhere in sight.**



Predicts...

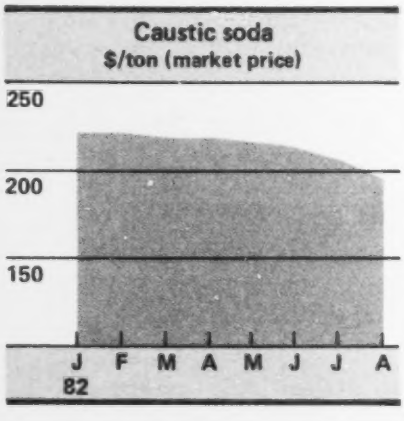
this fall (as many expect), this could knock another cent or so off resin tags. No dramatic recovery is seen for 1983 either—with prices expected to average out in the still-low 40¢/lb range.

Copper

The red metal continues to back and fill in the depressed 70¢/lb range—as sluggish demand and all-out production in the third world offsets big U.S. mine cutbacks. Inventories, too, seem to be climbing again, so any sustained nearterm rally seems quite remote. Indeed, it may not be until early 1983 before the metal can break through the 80¢/lb barrier. But beyond that, things should start moving faster—with supply-demand-cost fundamentals suggesting as high as a 90¢/lb price by next summer.

Chlor-alkalis

Caustic soda is again on the shaky side. Volume purchases, for example, are now being made for as little as $190-200/ton—with another $10-20/ton de-



cline possible this fall as (1) inventories begin to accumulate, (2) demand continues to disappoint, and (3) cheap imports from Europe become increasingly available. Co-product chlorine, too, remains far from firm—with volume buys said to be available in the $80-90/ton range—far under the official $135-150/ton list.

Shop towels

Good bargains from China here—with some transactions as low as 9.2¢/unit reported—more than 6¢/unit under the going 15.5¢ U.S. domestic quote. To be sure, some pressure is now being put on the Chinese—in the form of a dumping complaint filed with the International Trade Commission. But it will take at least six months before any definitive Washington action can be expected.

Molybdenum

The alloying metal is taking its lumps these days—with overcapacity and sluggish demand forcing producers to drop oxide prices 10-15% (to near $5.85/lb). For those relying on the merchant market, quotes are even lower—somewhere in the $4.40/lb range. More significantly, little nearterm recovery is anticipated—despite recent production curtailments. But the industry remains bullish over the longer pull—expecting domestic chewup to rise from the current 25,000 metric tons per year to near 35,000 by 1985.

Zinc

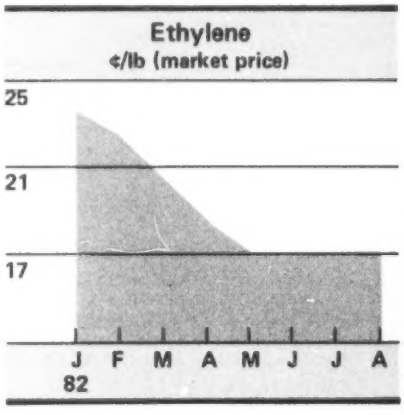
Prices are fairly firm—on a combination of reduced U.S. capacity, prolonged summer shutdowns, and strikes. Inventories are also in pretty good shape. But, as in the case of other nonferrous metals, it will be quite some time before previous peaks can be reachieved. Best bet: A continuing slow price climb into the 45¢/lb price range by winter or early spring. Any bigger hikes, however, seem remote, given the huge capacity excess that hangs over the world market.

Polystyrene

Recent attempts to boost prices have failed. Volume purchases of the general purpose grade, according to buyers, can still be had for as little as 36-39¢/lb—well under the official 45¢/lb producer list. Credit the failure to poor demand and the recent easiness in ethylene and styrene feedstock costs. But another fourth-quarter price-boosting attempt seems likely as feedstock costs start mounting again and demand shows some seasonal pickup. On the other hand, any increase should be quite modest.

Ethylene

Despite the fact that a summer price boost to 18½¢/lb has not held up that well (some material still goes for 17¢/



lb), producers are making another attempt to boost list prices—this time into the 21½-22½¢/lb range. But whether they will meet with success this time around is also problematical. Reason: weak demand from such derivatives as polyethylene and VCM. Another price-rise inhibitor: low operating rates, with the industry operating at only about 60% of its potential.

Nylon resins

Substantial 30% discounts are now said to be available on Zytel 101 NC10 resins earmarked for the domestic cable tie industry. Look for other users (autos, electronics and appliances) who are still being asked to pay $1.81/lb to press for similar price breaks. ***PW***

Expect moderate price increases through 1984

But good news on prices is tempered by high interest rates and huge federal deficits

Data Resources Inc. (DRI) isn't buying the Administration's forecast for a brisk recovery. Indeed, the big Lexington, Mass.-based econometric consulting firm doesn't see any return to 4% GNP growth until 1984.

But the relatively slow growth envisioned in the years immediately ahead will bear some dividends on the price front—with DRI projecting only about a 6-7% consumer inflation rate over the next few years. And even the badly depressed industrial producer price sector will show only a relatively modest 6.6% advance over the next year, though by 1984 some acceleration into the 8½% range is probable (see chart).

Other key projections culled from DRI's latest quarterly outlook:

■ **Industrial production.** Rates of growth will tend to outpace GNP. DRI's estimates here: a 6.3% advance next year and a 7.1% increase in 1984.

■ **Budget deficit.** Still plenty of problems here, with the red-ink figure put at $126.8 billion in fiscal 1983 and at an almost-as-large $115.4 billion in fiscal 1984.

■ **Interest rates.** No real relief is seen, as the prime rate averages out at a high 15.3% in 1983.

■ **Housing.** Starts will grow to 1.3 million units in 1983—a fair-sized gain over this year's total—as mortgage rates fall from 17% to about 15.7% in 1983.

■ **Capital spending.** Equipment outlays should pick up by 1983, but gains in factory construction will have to wait until the second half. By 1984, a fairly strong 8.4% overall capital investment advance is anticipated.

■ **Wages.** The increase, which came to 9.2% last year, will average near 7% over the next few years as unemployment cuts down on union bargaining power. But real earnings will manage to eke out some fractional gains as cost-of-living hikes average only 6.6%.

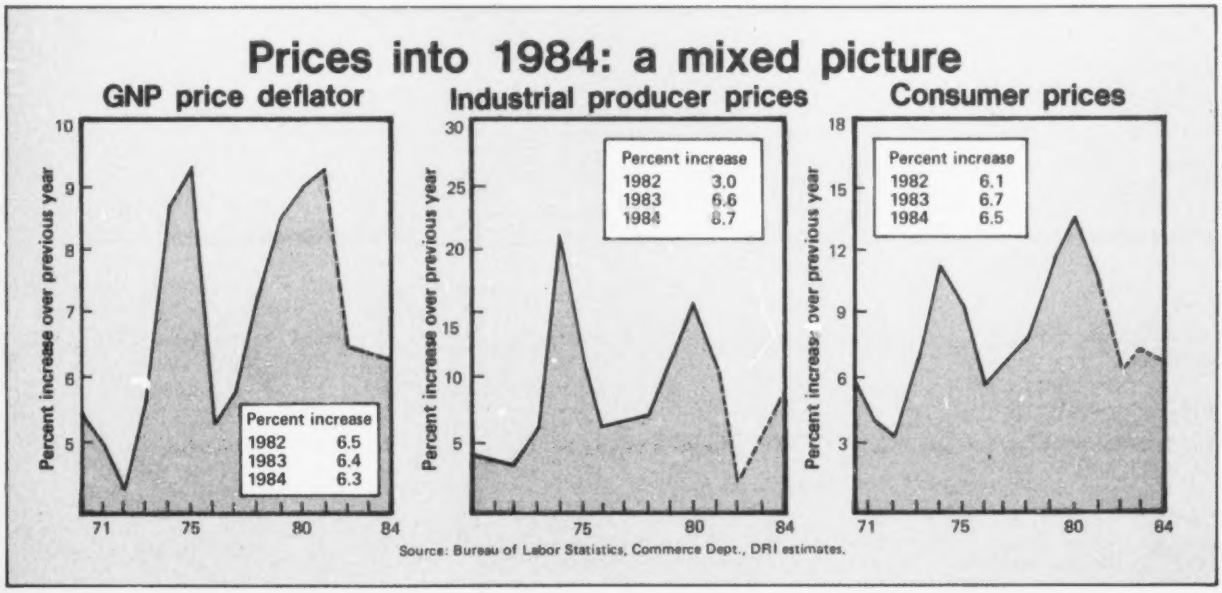
These relatively restrained wage hikes, combined with fairly modest growth rates, have made for somewhat lower price projections than anticipated three months earlier when DRI released its last nearterm forecast.

At that time, for example, consumer prices were expected to average 6.8% and 6.9% for 1983 and 1984, respectively, in contrast to the current projections of 6.8% and 6.5%.

For industrial producer prices, the projections have been reduced to 6.6% and 8.7% for 1983 and 1984, respectively, versus the 8.3% and 8.8% projections of three months ago.

Product-by-product outlook

Here's a more detailed rundown on what DRI now anticipates in the way of inflation in key industrial sectors.



Source: Bureau of Labor Statistics, Commerce Dept., DRI estimates.

■ *Oil.* Crude prices will be advancing at a 5.4% annual rate through the end of 1984. This will translate into an even higher rate of increase for refined petroleum products over this period—something in the order of a 9.3% annual rate.

■ *Coal.* Some escalation is anticipated. Indeed, if recovery follows the forecast pattern, prices from now through the end of 1984 could be rising at an 8.9% annual rate.

■ *Natural gas.* Continuing decontrol spells more double-digit increases, with the annual rate of rise over the next few years put at 13.7%.

■ *Electricity.* The projected advances in fuel detailed previously will translate into substantially higher rates. So will the need for capital to convert from oil and gas to coal-fired generation. Best bet here: annual increases averaging out near 11.9%.

■ *Steel mill products.* No meaningful advance is seen for the rest of this year. But beyond that, prices should begin to recover so that by the fourth quarter of next year, quotes will be averaging about 10% above late 1982 levels.

■ *Aluminum.* High producer inventories will limit any nearterm price rebound. Indeed, despite some turn-up in auto and construction demand, any meaningful recovery will have to wait until next year when the light metal will start moving up the price ladder. The forecast is that fourth-quarter 1982 tags on aluminum shapes will be averaging about 9% above late-1982 levels.

■ *Copper.* Some strong advances are projected, with the red metal advancing at a 13.9% compound annual rate of increase through 1984. Zero in on the first half of next year, and the increases could be a lot higher than that—near 14%.

■ *Metal components.* Better demand, plus a massive facility reinvestment program, should be putting upward pressure on prices by next year. All in all, the aggregate metal products price index could be rising at a 1.9% quarterly rate in both 1983 and 1984—though somewhat smaller increases are seen for hardware items because of somewhat less virulent cost pressures.

■ *Bearings.* No change is seen through the rest of the year. But rising demand beyond that suggests quarterly increases ranging anywhere from 1% to 3.8%.

■ *Chemicals.* Rising energy costs, plus gradually improving demand, point to fairly substantial price increase over the next few years. Upshot: Look for quarterly increases in 1983 and 1984 to run in the 1.2-3.5% range, with the average annual rate of increases pegged at a bit over 7%.

■ *Rubber belts.* Pressure from the auto industry will limit nearterm increases to only 5.5% a year.

■ *Corrugated cartons.* Discounts should slowly begin to dry up. But increases will be modest, averaging out at near a 5.6% annual rate over the forecast period.

■ *Construction materials.* Slow acceleration is anticipated as housing gradually picks up. On a compound annual basis, most items can be expected to rise at anywhere from a 6% to 9% rate in 1983 and 1984.

■ *Electronic components.* Only modest acceleration through 1984 is projected for relays and transistors, with the annual boosts put at 4.4% for 1983 and 3.8% for 1984. But capacitors will move up faster—at about a 9.6% annual rate on a combination of strong demand improvement and rising cost pressures.

■ *Tires.* Tolerable levels of escalation are anticipated—6.1% annual rate through 1984—with the biggest increases coming after mid-1983. ***PW***

PRICES: The Product-by-Product Outlook
(Percent change, year-to-year fourth quarter comparison)

	1981/80	1982/81	1983/82	1984/83
RAW MATERIALS, ENERGY				
Supplies for manufacturing	8.8%	5.2%	7.3%	8.6%
Processed fuels & lubricants	13.5	3.2	9.0	10.6
Miscellaneous chemicals	15.1	7.5	3.0	6.8
METALS				
Copper, domestic cathode	−16.7	−4.2	18.0	11.0
Copper scrap	−12.0	−15.3	19.8	17.3
Aluminum shapes	8.6	2.2	9.1	12.2
Wire and cable	−2.9	0.6	12.8	9.8
Steel sheet, galvanized	14.1	2.0	10.4	6.9
Steel mill products	12.4	2.1	10.0	9.2
Foundry and forge shop prod.	6.1	6.5	9.6	10.3
Structural shapes	13.0	4.2	10.2	9.7
COMPONENTS				
Hardware	8.7	4.8	6.7	7.8
Bearings	15.4	5.0	8.2	11.1
Unwatermarked bond paper #4	7.0	2.2	5.6	6.3
Magnetic tape	5.1	3.2	3.0	3.2
Digital Mos IC's	−9.9	−9.4	5.2	2.3
Electronic components	6.0	4.0	4.6	3.7
Electric motors	12.1	2.3	8.8	10.1
CONSTRUCTION MATERIAL				
Plastic construction products	0.1	−4.1	8.8	8.9
Bituminous paving material	18.2	0.0	10.8	11.1
Concrete products	5.7	1.8	6.5	9.2
Heating equipment	8.0	6.1	6.5	6.9
Structural metal products	9.6	0.6	6.8	10.0
Paint materials	9.7	1.0	10.8	10.2
EQUIPMENT				
Switchgear	7.5	4.1	8.6	8.3
Machine tools (metal cutting)	8.6	7.0	8.2	12.6
Mining equipment	8.5	8.2	9.3	10.3
Construction equipment	9.9	6.2	7.5	10.0
Electronic instruments	4.7	5.2	5.6	6.5
Motor trucks	12.5	4.3	9.0	8.5
Pumps and compressors	11.4	6.9	8.7	12.5

Source: Data Resources, Inc.

Good buys in plastic resins

Plastic resins are likely to remain pretty good buys over the next few years.

To be sure, some price increases are inevitable—as demand gradually picks up and producers move to recoup cost hikes that they have been forced to absorb over the past year or so. But by and large, the boosts will be moderate—well under both the general inflation rate and those anticipated for competing materials such as metals.

The actual projected increases (compound annual rate over the 1981-84 period) are detailed in accompanying chart. For the big commodity resins shown, the advances vary from a low of less than 3% (for low-density polyethylene) to a relatively modest high of 6.6% (for polypropylene).

Those figures, supplied by Probe Economics (a chemical industry consulting outfit), are accompanied by demand estimates. And here the numbers are relatively low for an industry that as recently as the late 1970s was growing at or near double-digit rates.

On the demand front, for example, increases over the next few years are pegged at anywhere from a low 2.8% annual rate (again for low-density polyethylene) up to 5.3% in the cases of polypropylene and polystyrene.

Nevertheless, Probe Economics still sees some key opportunities for growth and innovation. In particular, it cites developments in reinforced plastics, high-performance engineering resins, linear low-density polyethylene, and polyparamethyl-styrene. All these should grow well-above average levels.

Also worth noting: A changing industry structure may be in the making. Specifically, continuing competition will make for consolidations—with the market increasingly being left to high-volume producers.

One of those big producers—DuPont—claims that the outlook for engineering thermoplastics is particularly bright, especially in comparison to the costs of the metals they're intended to replace.

True, DuPont has an axe to grind, but its figures are impressive, nevertheless (see second chart).

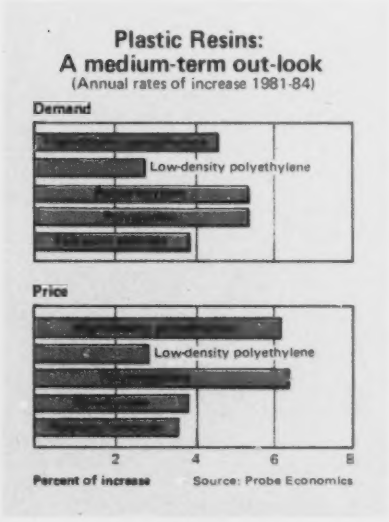
Note, for example, that these plastics already have a considerable cost advantage. And if you buy DuPont's assumptions, this advantage is likely to grow a lot wider in the years immediately ahead.

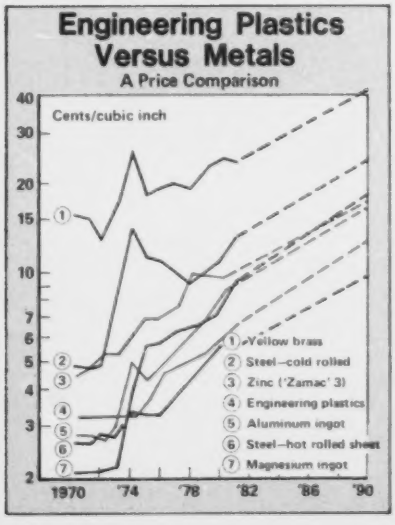
The actual savings over competing metals (now and in 1990) are estimated as follows:

- Zinc. A 6.2¢/cu in savings available now by going the plastic route will grow to 11.9¢ by 1990.
- Magnesium ingot. The current 2.5¢/cu in plastic cost advantage wil jump to 5.9¢ by the end of the decade.
- Cold-rolled steel alloy strip. The current 3.3¢/cu in advantage rises to near 4.8¢ by 1990.

Viewed from another perspective, the cost advantage in 1990 engineering plastics will range from 23%, in the case of aluminum, to near 48%, in the case of zinc. Only hot-rolled steel sheet, among the metals, continues to be cheaper than plastics on a ¢/cu in. basis.

Why the growing advantage? DuPont says it's because rising energy costs will impact more heavily on metals than on thermoplastics. Energy accounts for about 35% of the average metal's production cost versus 15-20% for typical engineering plastics. ***PW***





Latest scrap quotations

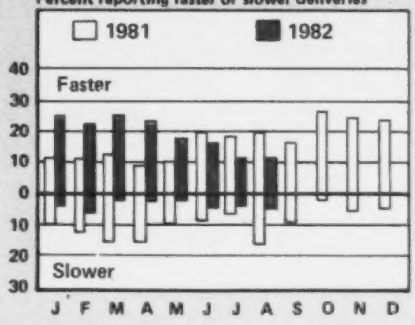
	Now	Month ago	Year ago
Steel, No. 1 hvy., dlvd., Pitts., ton	58.00	58.00	102.00
Steel, No. 1 hvy., dlvd., Clev., ton	54.00	54.00	94.00
Steel, No. 1 hvy., dlvd., Chi., ton	51.00	51.00	92.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	0.55	0.55	0.71
Copper, No. 2, East, wholesale buy, dlvd., lb.	0.480	0.485	0.630
Brass, red, East, wholesale buy, dlvd., lb.	0.51	0.51	0.67
Brass, yellow, East, wholesale buy, dlvd., lb.	0.310	0.305	0.420
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	0.23	0.23	0.31
Alum., mixed clip., E., wholesale buy, dlvd., lb.	0.245	0.245	0.345
Zinc, old, East, wholesale buy, dlvd., lb.	0.100	0.105	0.155
Lead, clean solids, East, wholesale buy, dlvd., lb.	0.16	0.16	0.27
Passenger tires, mill purchase, ton	16.00	16.00	16.00
Butyl tubes, mill purch. (free of valves), lb.	0.065	0.065	0.065
Black natural tubes, mill purch. (free of valves), lb.	0.060	0.060	0.060
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	5.00	7.00	20.00
Paper, old corrug. box, dlr., N.Y., ton	4.00	6.00	10.00
Polyethylene scrap, lb.	0.20-0.30	0.20-0.30	0.20-0.30
Polystyrene scrap, lb.	0.18-0.28	0.18-0.28	0.18-0.28
Polypropylene scrap, lb.	0.12-0.18	0.12-0.18	0.12-0.18
ABS scrap, lb.	0.18-0.28	0.18-0.28	0.18-0.28
Roofing rags, No. 2, dlr., lb.	Nom.	Nom.	Nom.
Osnaburg cuttings, dlr., f.o.b. N.Y., lb.	0.12	0.13	0.13
White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb.	0.11	0.11	0.25

PW monthly procurement status report

Source: NAPM

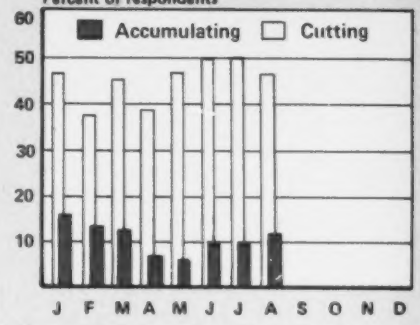
Delivery performance

Percent reporting faster or slower deliveries



Inventory strategy

Percent of respondents



Leadtimes couldn't be shorter, all items in good supply

It looks like another few months of smooth sailing as far as availability and leadtimes are concerned.

Average delivery delays, for example, are down to their lowest point in years—with more than half of the nearly 200 items regularly monitored by ***PurchasingWorld*** now sporting shorter leads than a year ago.

To be sure, ***PurchasingWorld***'s exclusive leadtime index is now relatively stable in the neutral 50 range. But that's only because it is virtually impossible to bring things in any further.

The "no sweat" trend is further confirmed by NAPM's series on vendor performance—with 12% of surveyed respondents reporting faster deliveries—far outweighing the small 5% who note some slowdown.

And if there's still any doubt about the current more-than-ample supply situation, take a look at factory operating rates. The overall average is down near 70%—with many key sectors (including machine tools, steel, nonferrous metals, plastics, and selected chemicals) a lot lower than that.

Nevertheless, some buyers remain concerned about the longer pull, fearing that razor-thin vendor inventories may not be enough to meet any sudden surge in demand. As one PM puts it, "this is something that will bear close monitoring—with periodic reappraisals required to keep things on an even keel." ***PW***

Leadtimes and availability

Chicago: Caustic soda is in a bit (to 1-2 weeks). Ditto, film laminations (to 8). But softwood plywood and sheathing are out slightly (to 2-3). On the other hand, most MRO items (including electrical supplies, fasteners, tools, and mill supplies) are readily available—almost out of stock. And specialty MRO items can be had in a few weeks.

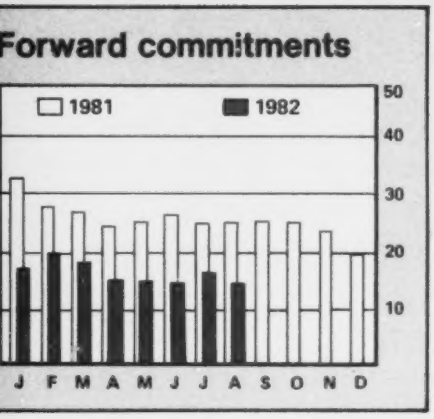
Cleveland: Maintenance paint has stretched out to (2 weeks). And the same is true of cold finished aluminum (to 6-8). Most other waits are unchanged as follows (in weeks): 2-ply fiber drums (2), corrugated (3), polyethylene and PVC (2), glassine and greaseproof papers (4-5), plastic shrink film (3), and alloying materials (on demand).

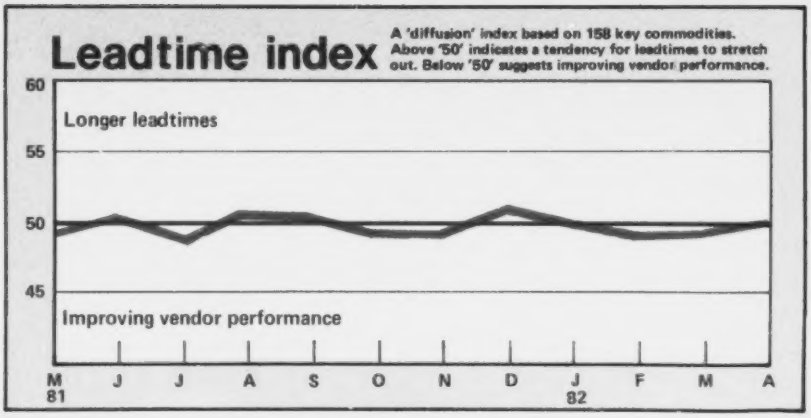
Houston: Field-fabricated light-wall pressure vessels have stretched to 10-14 months. Ditto, high-pressure heat exchangers (to 8-12 months). But shop fabricated carbon steel pipe is in a bit to 2-5 months. MRO items remain relatively easy—with leads in the 2-4 week range. Other items including steel and packaging remain unchanged.

Los Angeles: A few minor changes here—both up and down. Out a bit (in weeks): carbon black (1-1½), paints (3), heavy-duty steel (52-60), heavy-duty fasteners (16-20). Coming in, however, are synthetic rubber (2), filler clay (2), plasticizers (1), adhesives (1), heavy-duty aluminum pipe (6), and heavy-duty electric equipment (13-39).

Philadelphia: Steel has come in almost everywhere—with these new weekly waits: stainless bar (8-10), carbon bar (4-6), stainless round coil (8-10), carbon round coil (6-8), stainless tubing (6). One exception: stainless rod—now out to 6-8 weeks. But corrugated leads are down to 2 weeks and wire-wound resistors to only 10.

Pittsburgh: Little movement either up or down is noted. Typical leads (in weeks): multiwall bags (10-12), plastic bags (3-4), folding boxes (6-8), nonstandard steel drums (12-16), glassine and greaseproof papers (5-6), kraft paper (4-6), lumber (2-4), steel strapping (2-3), polyethylene and PVC (4), and alloying materials (2-3).




Leadtime index
A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.
60
55
50
45
Longer leadtimes
Improving vendor performance
M J J A S O N D J F M A
81
82

Leadtimes (in weeks)

Steel

	Now	Month ago	Six months ago
Sheet (Phil)	5	5	5
C-R Sheet (Chgo)	4½	4½	4½
Plate (Phil)	4½	4½	5
Plate (Chgo)	2	2	2
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	5	6	8½
H-R Bars (Chgo)	2	2	2
Cold-Drawn Bars (Phil)	12	12	12
Galvanized (LA)	3½	3½	7
Galvanized (Chgo)	4½	4½	4½
Structurals (Chgo)	2	2	2
Structurals (Hous)	17	17	17
Tubing (Phil)	19	19	19
Grey Iron Castings (LA)	7	7	3½
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	15	17	17

Electric & Electronic

Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	13	13	13
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	9	9
ICs (Linear) (Phil)	11	11	12
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	7	7	13
Relays (Chgo)	15	15	15
Resistors (Chgo)	10	10	12
Resistors, Wirebound (Phil)	10	10	18
Transformers (Chgo)	10	10	10

Lumber

Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	2½	2	1
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	I/5	I/5	I/5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½

Packaging

	Now	Month ago	Six months ago
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	11	11	11
Cartons, Corrugated (Clev)	3	3	3
Cartons, Corrugated (Hous)	3	3	4
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	7	7	7
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	5	5	6
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	3½	3½	3½
Drums, Steel, Std. (Pgh)	2½	2½	2½
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	6½	6½	6½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3

Chemicals-Plastics

Adhesives (LA)	1½	1½	1½
Naphthalene (Chgo)	2	2	2
Paint (LA)	3	2	4
Paint, Coil Coating (Pgh)	3	3	3
Paint, Maint. (Clev)	2	1½	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Clev)	2	2	2
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	1	1	1
PVC Resin (Pgh)	4	4	4
Titanium Dioxide (LA)	1	1	1

Paper

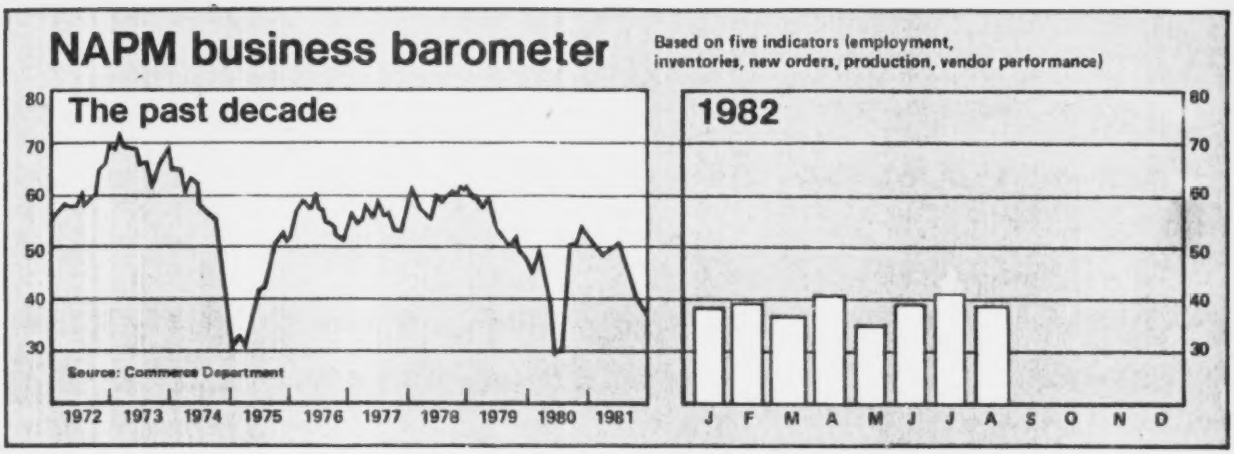
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½

Non-Ferrous

	Now	Month ago	Six months ago
Aluminum Coil (Chgo)	7½	7½	6
Aluminum Plate (Chgo)	7	7	7
Aluminum Sheet (LA)	7	7	12
Aluminum Sheet (Chgo)	8	8	8
Brass Castings (LA)	7	7	4½
Brass Rods (Chgo)	2½	2½	2½
Brass Sheet (Chgo)	5	5	5
Brass Tube (Chgo)	9	9	9
Copper Fittings (LA)	3	3	6
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	6	6	6
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	3
Magnesium (Pgh)	2	2	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	4	4	6
Wire, Specialty (LA)	6	6	6
Zinc (Pgh)	2	2	2

Miscellaneous

Bearings, Domestic (Phil)	22	22	22
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	52
Compressors, Centrifugal (Hous)	56	56	60
Compressors, Reciproc. (Hous)	45	45	45
Fasteners (Chgo)	½	½	½
Fasteners (LA)	10	10	4½
Fasteners, Std. (Phil)	3½	3½	3½
Heat Exchangers, Carbon-alloy Steel (Hous)	32	32	37
Heat Exchangers, Hi-pressure (Hous)	43	37	46
Insulation Mat'l. (LA)	4	4	5
Machined Parts (Hous)	9	9	12
Pipes & Valves (Chgo)	I	1	3
Pumps (Hous)	4I	4I	4I
Pumps (LA)	10	10	9
Rubber, Synthetic (LA)	2	3	1½
Rubber Hose (LA)	5	5	7
Tungsten Carbide Parts (Hous)	15	15	16
Valves, Cast Steel (Hous)	13	13	17
Welding Supplies (Hous)	5	5	5



Business in brief:

No major upturn expected this year

Don't count on any major fourth quarter economic upturn.

To be sure, the recent drop in interest rates will eventually set the stage for some fair-sized advances. But interest rates don't work overnight. Historically, it has taken at least six months for a major change in borrowing costs to be translated into a change in output and sales.

Lest there be any doubt on this rather lackluster near-term outlook, take a gander at NAPM's business barometer. This key indicator of manufacturing activity a few months down the pike is still mired in the 35-40 range (chart, above), where it's been since early 1982.

The point to keep in mind: Business activity traditionally has only begun to turn up when this yardstick has moved above the neutral 50 line—and such a reading may still be a few months away.

A look at some of the individual series that presage changes in the business climate tell much the same story. Take durable goods new orders. True, the figures are finally beginning to edge up. But gains have to be put in proper perspective. Orders are still close to 10% under early-1981 levels (chart, left).

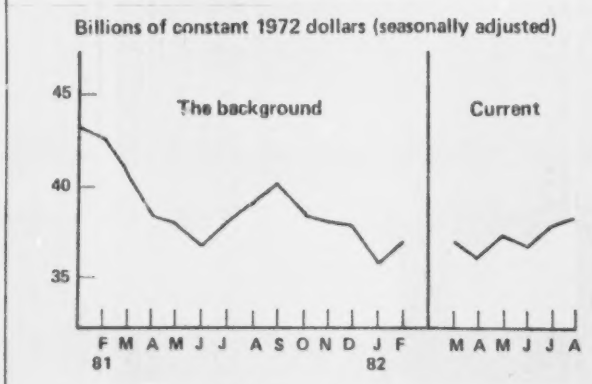
One of the problems is capital goods, where orders have really nosedived. In the critical machine-tool sector, for instance, incoming business lags yearago levels by close to 50% (chart, lower left). The problem is, of course, that with operating rates near 70%, there's precious little incentive to launch a new machinery-buying program.

Construction awards, too, continue to bump along at the bottom of the trough (chart, below). It's clear that this precursor of building activity would have to take a solid 20-30% jump before any real gains could be expected.

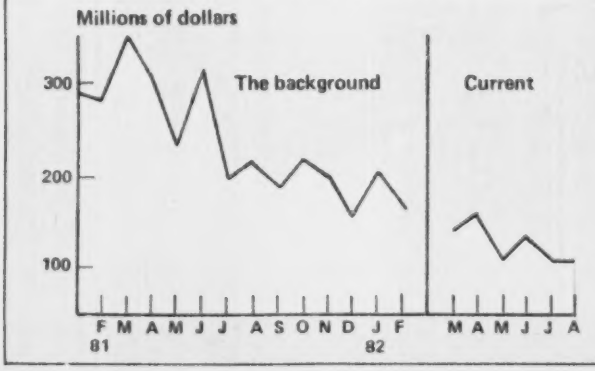
What does it all add up to then? Only a fractional fourth quarter GNP gain is seen—not enough to keep overall 1982 GNP from dropping about 1%. But next year could be considerably better—with an overall 2½-3½% advance possible. ***PW***

Leading indicators

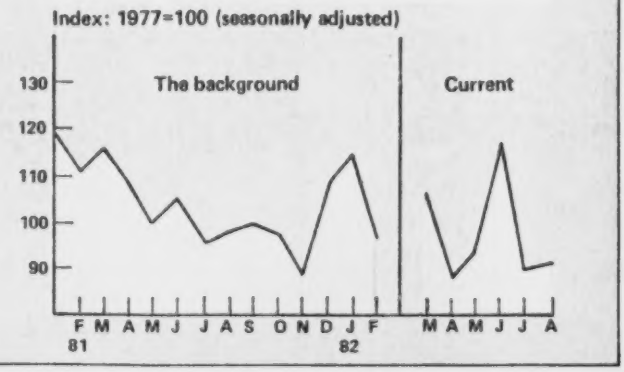
1. Real durable sales



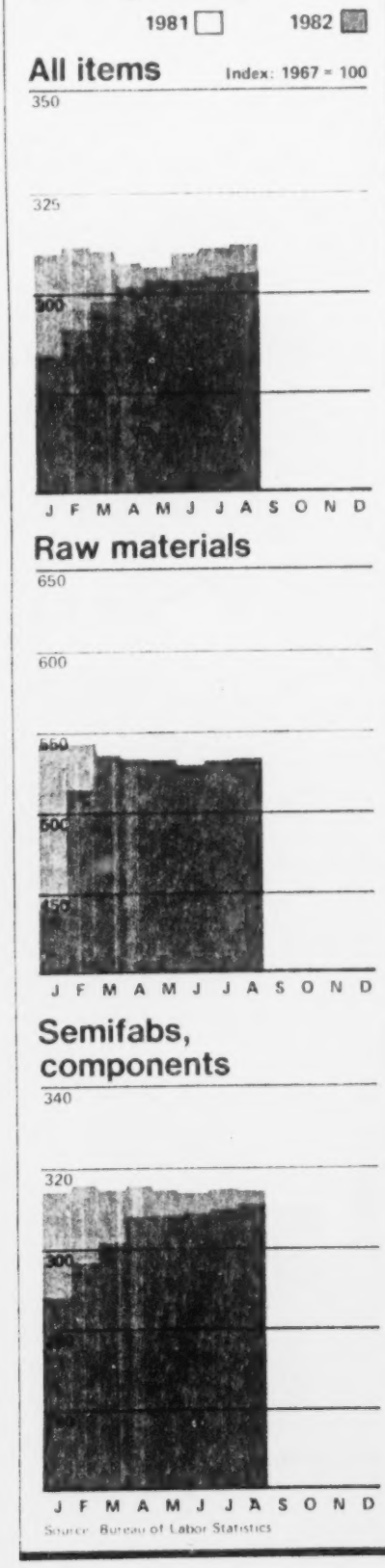
2. Machine tool orders



3. Construction awards



Industrial prices at a glance



Source: Bureau of Labor Statistics

Most prices remain stable

Chalk up another month of virtual stability in industrial prices.

Indeed, tags have remained relatively unchanged (at least as far as overall averages are concerned) for several months running. And the year-to-year advance has dropped down to just a fraction above 1%.

Morever, the relief in key industrial sectors is now pretty much across the board—with more than one out of every five items monitored each month by ***PurchasingWorld*** slipping into the negative column.

Energy, too, seems to be taking an extended breather. To be sure, natural gas, gasoline, and LPG have moved up. But these hikes are effectively being offset by (1) declines in home heating oil and residual fuel and (2) relatively unchanged quotes for diesel fuel and electric power.

Also, a lot less strength is now apparent on the equipment front. Thus declines were noted last month in material handling equipment and printing machinery.

More important, government price watchers see much the same for early fall—as low demand and drooping operating rates virtually rule out any big new price-boosting attempts. ***PW***

This month's breakdown

	Latest level (August)	Percent change from: Month ago	Year ago
Bearings	335.3	0.4	6.2
Bolts, nuts, etc.	272.7	0.1	2.9
Chemicals, inorganic	314.3	0.2	7.3
Chemicals, organic	366.0	-0.1	-11.0
Concrete products	298.3	0	1.7
Cutting tools, small	276.3	-0.7	3.6
Electrical instruments	258.5	0	10.2
Electric lamps (bulbs)	285.2	0	4.3
Fans and blowers	334.3	0.1	2.8
Fittings, industrial	310.2	0	2.4
Foundry and forge products	345.5	0	4.1
Fuel oil (residual)	1250.0	0.2	0.3
Furniture, commercial	278.0	0.1	7.3
Gasoline	694.9	1.3	-4.2
Glass, flat	226.1	0	3.6
Glass containers	357.3	0	6.5
Gypsum products	253.9	-0.7	-0.5
Hand tools	341.9	0.9	6.2
Hand tools, power driven	221.7	0.1	3.8
Industrial furnaces	354.9	0.3	5.4
Integrating and measuring instruments	213.1	0	6.0
Internal combustion engines	331.5	1.4	8.5
Lubricating oil	888.1	0	-1.4
Lumber millwork	280.2	-0.6	2.9
Material handling equipment	285.8	-0.3	1.8
Metal containers	328.8	-0.3	3.2
Metal mill shapes (nonferrous)	297.1	0.3	-3.5
Metal tanks	311.4	-0.1	1.9
Motors and generators	313.9	0.3	3.9
Motor trucks	285.2	0	9.1
Office and store equipment	152.3	0.3	2.3
Paperboard	255.5	0.2	-2.0
Paper boxes and shipping containers	249.3	-0.4	0.2
Paper office supplies	226.5	0	3.8
Paint	265.1	0	5.7
Plastic resins	282.4	0.6	-5.1
Precision measuring tools	239.2	0.3	6.4
Pumps and compressors	347.5	0	5.1
Refractories	341.2	0.1	11.1
Rubber belts and belting	322.3	-1.3	10.5
Scales and balances	226.9	0	2.3
Steel products	347.0	-0.2	1.1
Switchgear	260.2	-0.2	3.3
Textiles, synthetic fibers	163.1	0.4	1.2
Textiles, gray fabrics	144.5	-0.2	-3.0
Tires and tubes	257.9	0.9	3.2
Transformers and power regulators	224.5	0.6	6.0
Valves, industrial	329.2	0	2.9
Welding equipment	273.0	0.2	3.3
Wire and cable	202.2	0.1	-1.9

Latest spot market prices

Ferrous metals

	Latest price	Previous month	Year ago
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	22.90	21.65
Steel, structural shapes, Chi., cwt.	23.90	23.90	21.65
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	22.15
Steel, bars, dlvd. Phila., cwt., merchant quality	14.35	14.35	14.35
Steel, bars, Pitts, cwt.	14.35	14.35	14.35
Steel, bars, C.R., Pitts, cwt.	31.00	31.00	29.20
Steel, plates, Chi., cwt.	24.25	24.25	23.25
Steel, plates, Pitts., cwt.	24.25	24.25	23.25
Steel, plates, H.R., Pitts., cwt.	20.80	20.80	20.80
Steel, sheets, C.R., Detroit, cwt.	24.65	24.65	24.65
Steel, strip, C.R., Chi., cwt.	29.05	29.05	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	25.95

Nonferrous metals

Aluminum, ingot, lb. (market place)	0.76	0.76	0.76
Alum. sheet, H-I4 3003, .04 in., 48x144, mill fin., lb.	1.02	1.02	1.02
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	4.60	4.60	3.74
Brass, red, 85%, [sheet], lb.	1.17	1.16	1.25
Brass, yellow, [sheet], lb.	1.11	1.10	1.19
Cadmium, ton lots, lb.	1.00	1.10	1.75
Copper, electrolytic, wire bars, refd., lb.	0.72	0.71	0.82
Copper sheet, over 24 in., lb.	1.26	1.25	1.34
Lead, common, N.Y., lb.	0.26	0.26	0.40
Magnesium, pig ingot, [99.8%], lb.	1.34	1.34	1.34
Mercury, 20 fl. lots, N.Y., fl.	340.00	345.00	445.00
Molybdenum Climax Oxide/bags, lb.	8.50	8.50	8.25
Nickel, electrolytic, producer, lb.	3.20	3.20	3.50
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	9.11	6.97	9.55
Tin, Straights, N.Y., lb.	6.59	6.22	7.85
Zinc, Prime West, East St. Louis, lb.	0.42	0.37	0.49
Zinc, die casting alloy, No. 3, lb.	0.455	0.435	0.558

Chemicals

Acrylonitrile, tanks, lb.	0.460	0.460	0.440
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	210.00	210.00	210.00
Benzene, petroleum, tanks, Houston, gal.	1.47	1.50	1.60
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	17.50
Cresylic acid [over 25%], tanks, lb.	0.66	0.66	0.66
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	0.101	0.101	0.101
Glycerine, synthetic, tanks, lb.	0.805	0.805	0.805
Linseed oil, raw, bulk, carlots, lb., f.o.b. N.Y.	0.295	0.315	0.345
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.715	0.715	0.795
Naphthalene, crude, tanks, lb.	0.220	0.220	0.205
Phthalic anhydride, tanks, lb.	0.33	0.33	0.42
Polyethylene resin, low density liner film grade (market price), lb.	0.25	0.27	0.33
Polypropylene, homopolymer grade (market price), lb.	0.37	0.38	0.37
Polystyrene, general purpose grade (market price) lb.	0.36	0.36	0.43
Resin, W.G. grade, carlots, f.o.b., N.Y., cwt.	46.50	46.50	46.50
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.335	0.335	0.375
Sulphur, crude, ex-terminal, Tampa, Fla. long-ton	147.50	147.50	140.00
Sulphuric acid, 66%, commercial, tanks, ton	93.69	93.69	93.69
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.63
Xylene tanks, gal.	1.45	1.45	1.48

Paper

	Latest price	Previous month	Year ago
Bond paper, No. 1 sulfite, water marked, 20-lb., 4 cartons, cwt.	68.60	68.60	68.60
Gummed sealing tape, carton	15.70	15.70	15.45
Offset paper, No. 1 Grade	49.70	49.70	45.50
Folding boxboard, white clay coated 80 bright, ton	403.62	403.62	411.62
Wrapping paper, std. distribution cost, kraft, basis wt. 50 lb., roll	28.00	28.00	21.00
Kraft linerboard, 42 lb., unbleached, ton	270.00	270.00	300.00

Building materials

Lumber, 2x4 fir, mbf, cl	292.70	289.73	335.01
Lumber 2x2, pine, mbf, cl	273.40	294.29	302.77
Plywood, plyform, 3/4", msf, cl	577.50	574.55	597.80
Plywood, 5/8", msf, cl	343.39	342.99	355.88
Cement, bulk, ton, fl	62.07	62.42	60.24
Sand, ton, cl	5.85	6.02	6.05
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	45.88	46.35	45.06
Crushed stone, 1½", ton, cl	7.75	7.75	7.50
Concrete blocks, sand/gravel, 8"x8"x16", ea., fl	0.75	0.75	0.68
Gypsum sheathing, ½"x1'x8", msf, fl	156.38	156.04	148.04
Brick, common, per thousand, fl	177.05	176.05	163.70
Asphalt paving, AC-20	154.82	155.38	172.13
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.55	6.56	6.57

Textiles

Burlap, 10 oz., 40", N.Y., yd.	0.248	0.238	0.254
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	0.98	0.96	1.02
Cotton middling, 1", N.Y., lb.	0.590	0.621	0.625
Printcloth, 48", 80x80, N.Y., spot, yd.	0.55	0.58	0.85
Army duck, 37", 13 oz., yd.	1.70	1.70	1.70
Blended printcloth, 64", 78x54, yd.	0.570	0.590	0.760
20s combed yarns	1.72	1.72	1.85
Wool tops, N.Y., lb.	3.60	3.60	3.60

Hides and rubber

Hides, cow, light native, packers, Chi., lb.	0.450	0.445	0.470
Rubber, No. 1 std., ribbed smoked sheets, N.Y., lb.	0.460	0.470	0.525

Fuels

Fuel oil, No. 6 or Bunker C, Gulf., bbl.	24.50	23.50	23.25
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	31.25	32.00	32.77
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.970	1.006	1.040
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.970	0.990	1.010
Heating oil, No. 2, Chi., bulk, gal.	0.905	0.940	0.970
Heating oil, No. 2, N.Y., bulk, gal.	0.940	0.940	1.013
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.00	25.60	23.00
Jet kerosene, gal.	0.930	0.885	N.A.
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.38	0.33	0.44

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

PW raw material price barometer

Latest month 236.2
Month before 237.0
Year ago 283.0